A FEARLESS-FORWARD LOOKING-FORTNIGHTLY

The MAGAZINE of WALL STREET

Vol. 20 APRIL 14, 1917 No. 1

The Truth About Wright-Martin
AN INVESTIGATION—ITS RESULTS

By Barnard Powers

War Loans As Investments
By Maurice L. Farrell

Inflation In Oil
A TIMELY WARNING

By L. R. Beech

How Shall I Invest My Earnings?
AN ANSWER TO THE INVESTOR'S PROBLEM

By Alexander B. Parks

When Fundamentals Fail
TRADING SIGNALS WHICH SOMETIMES DO NOT WORK

By Frank C. Forsythe

Are The Better Rails Cheap?
Answered by Walter McNaughton

The Market Outlook
Northern States Power
Transfer of Securities
Bargain Ind.-Railroads
Cotton and Wheat
International Nickel
Promising Curb Steels
Bargain Ind.-Pub. Utilities

Nathan L. Amster on "The New Rock Island"

Per Copy 25c. Per Year $5

The MAGAZINE of WALL STREET
FEARLESS - FORWARD LOOKING - FORTNIGHTLY

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THE OUTLOOK

Our Position In the War—New Policy In Government Buying—Taxation—Effect On Earnings for Stocks—The Market Prospect

IT is the evidence of history that war, after causing some temporary disorganization of industry and of the money markets, has always had a highly stimulating effect on business and therefore on the prices of stocks. There are, however, some differences between our position in entering the war at this time and the usual position of a country beginning to make war. It is worth while to consider these differences in some detail.

Strength of Our Financial Position

IN the first place, we are entering the war practically as the ally of nations which have already been fighting for nearly three years and which have in that period sent us a tremendous amount of business at very profitable prices, and a billion dollars in gold.

This has caused our banks to overflow with reserves and has added their loaning power to such an extent that our general financial position is more strongly intrenched than ever before. We finally enter the war, not in a condition of weakness and doubt, nor even in an ordinary and normal condition, but after having made out of the war the most extraordinary profits ever known in the history of industry.

The very great advantage of this beginning, as compared with that of any of the European countries in 1914, is apparent. To a large extent, we can spend on the war the money which we have already made out of the war.

Our Industrial Preparedness

ANOTHER important consideration is that the war capacity of our industries is already mobilized. England began to fight with only very small ability to manufacture the necessary munitions and supplies. It took her two years to organize her industries for war purposes. We have already had that two years. The urgent necessities of the Allies have compelled them to pay our manufacturers fancy prices for doing just what they would now have to do in any case. We have experimented at their expense, until we are now ready to fill our own needs—which, although large, will certainly be much smaller than those of the Allies—without difficulty.

The war capacity of the Bethlehem Steel Company, for example, is now greater than that of the Krupp plant. In fact, the immediate requirements of our army and navy will occupy only a very small percentage of our steel-

making capacity. The Government's orders for copper are but a fraction of one per cent of our copper producing capacity. In some other industries the proportion will doubtless be greater, when once our preparedness program is well under way, but in no case will it strain our ability to produce.

Our Geographical Position

ANOTHER peculiarity of our position is that we are so far removed from the seat of the conflict that the problem of self-defense will be comparatively easy. It is not impossible that Germany may reach us under water or in the air—though even there the difficulties of her doing so are evident. But the possibility of any persistent aggressive Teutonic action against us is too remote to be worthy of serious consideration.

In the main, we are protected, as we have been heretofore, by the naval and land forces of the Allies. Our problem, therefore, becomes for the most part what we can do to aid the Allies; for it is only less difficult for us to get at Germany than it is for her to get at us.

This relieves us from one principal cause of the war panics which, in most wars, have occurred early in the conflict—namely, fear of the enemy. But while this geographical detachment aids us in defense, it hinders us in offense. It greatly increases the cost of whatever direct part we may take in the war.

New Policy of Government Purchases

WHILE we are thus relieved of some of the most serious difficulties ordinarily encountered by a nation in beginning a war, so that for that reason we might apparently expect an even greater stimulation of our industries than occurs in most wars, there are—as usual in the conditions affecting the markets—important offsetting considerations.

One of them is that our Government, having learned by watching the war from afar for two and a half years, will so far as possible eliminate excessive profits on its war orders by price fixing. If we were under the stress of an immediate necessity, as a country usually is in entering upon war, this deliberate policy might not be possible; but as we are situated it is entirely possible and there can be no doubt that it will be generally enforced.

The Government has bought its copper at 16 cents a pound—just about half the current price. It has contracted for its steel at about three cents a pound below the market price, saving thereby about $18,000,000 on the navy's requirements for 1917. The law now permits the Government to take over and operate plants which will not turn out supplies and munitions at a reasonable price. It is not likely to have to do that, for motives of patriotism as well as policy will lead corporations to take a reasonable attitude.

Influence On Corporation Profits

WHAT will be the effect of this new Government policy, so radically different from the methods of the Civil War or the Spanish War? On U. S. Government orders, reasonable profits only will be permitted. No exception can be taken to that policy, and if Government orders alone were to be considered, the reduction in the present very large earnings of our great corporations would not be important, since their total capacity is so very far in excess of Government requirements.

But how about our big sales of steel, copper, etc., to the Allies? Will our Government, in placing its credit at the service of the Allies, see to it that such credit is expended here at the same reasonable plane of prices which it insists on for its own purchases? That question remains to be answered. It is a question of Government policy in regard to which no hint has reached the public at this writing.

A still broader phase of the question is whether the fixing of prices on

Government purchases considerably below the plane of the current market will have a tendency to bring commodity prices generally down to that level. The theory is being advanced that private consumers will insist upon the same prices as have been granted to the Government, on the ground that such prices have been decided to be equitable.

It does not seem to us that such a condition can arise at present. Current prices have been fixed by supply and demand. It is possible for the Government to suspend the operation of the law of supply and demand on a small part of our production which is to be directly used by the Government, but the private consumer will have no such power, nor would the Government be able to back up his demands even if it were so disposed.

Doubtless there have been many individual cases where the buyer has been "held up" and forced to pay a higher price than the situation warranted, but the fact remains that the present high plane of prices is in the main due to the limitation of supplies. If there is not iron enough to go around, competitive bidding by those who need iron will naturally and necessarily advance the price.

Taxation

UNTIL a definite program of taxation is decided upon it is impossible to determine how far it may affect corporation profits. That it will decrease them is a foregone conclusion. Every one must bear his share, and it is only fair that those companies which have been making very large profits out of the war, directly and indirectly, should contribute a larger proportion of their incomes than the clerk whose salary has remained stationary while his expenses have risen.

Doubtless earnings for stocks, and especially industrial stocks, will be reduced by increases in the income and excess profits taxes. But the Government is not in any such condition of stress as would require the entire confiscation of such profits. With many companies, a still larger proportion of excess profits than the present 8 per cent. could be taken by taxation and liberal profits for the stocks would remain.

The General Outlook

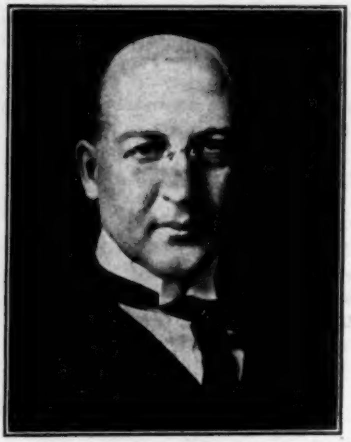
WHILE the stimulating effect of our war activities may thus be reduced by price fixing and heavier taxation, we do not believe it will be entirely nullified. The indirect effect on general business conditions will be important. We are entering upon a program that will entail large expenditures, probably during several years. The stimulating effect of these expenditures will have wide ramifications.

The heavy war purchases of the Allies during the past two years, for example, have in one way or another brought increased prosperity to at least 90 per cent. of the population of this country. Even if the Government's war orders were filled at cost, the result would be continued activity of general business. The money thus expended will percolate through every crevice of the industrial structure. And only a fraction of the resulting profits will be taken away by taxation.

We think, therefore, that few stocks are now to be considered high. Alarm among investors in regard to big bond issues and heavy taxation will become less as the situation develops from uncertainty into definiteness. And it is entirely probable that those investors who have taken advantage of recent weakness to accumulate well selected issues will later find themselves in a satisfactory position.

As to the railroads, their prosperity admittedly depends on the granting of higher rates; but how such rate advances can be refused under present conditions, and with the co-operation of roads needed for war concentration, is rather difficult to imagine.

—April 9, 1917.



MAURICE L. FARRELL

War Loans as Investments

Extraordinary War-Created Investment Opportunity—Lesson of the French Revolution — Are England and France Solvent?—The Privilege and Duty of the Investor

By MAURICE L. FARRELL

DURING the darkest days of the French Revolution a wealthy client entered the private office of the head of a great French banking house seeking advice on investments. "Buy 3% rentes," recommended the banker. "What! buy rentes! Buy French rentes when the streets of Paris are running with blood!" exclaimed the client. "If the streets of Paris were not running with blood, you could not buy French rentes at 33," rejoined the banker. He bought French rentes and in a few years they had advanced 150% in market value.

If the continent of Europe were not drenched with blood, one could not now buy Anglo-French 5's at 94; British 5½'s at 99¼; French 5½'s at 99; nor Russian 5½'s at 88—all on a six to seven per cent. investment. (Prices of April 2 the date of writing.)

British Consols

At no time in more than a century could British Government bonds be bought on a basis to yield even 5%, prior to this great war and never before have they sold on a 6% basis. Not since 1840 could they be bought to yield as high as 4%. And not since the French Revolution in 1850-1852 could French rentes be bought on a basis to yield 6%. During the last fifty years French 3% Perpetual Rentes have sold, on an average, on about a 3% basis; while British Consols during the same period, have averaged about the same yield.

British Consols were proverbially known as the premier security of the world. Bankers and financiers of the older generation, few of whom are stil left, upon entering their Wall Street offices in the morning, inquired first of all, "How are Consols?" Not that they had any uneasiness about the conditions of Consols—they knew Consols were intrinsically as strong as Gibraltar but Consols were more than a security. They were a barometer of world politics and finance. If war clouds were gathering, or thrones tottering or panics incubating in any quarter of the civilized world, one saw them reflected in the movement of Consols. For Consols fluctuated materially only in anticipation of some great political or economic change; that is, some fundamental alteration which meant a readjustment of investment values to meet new conditions and entirely apart from any question relating to their intrinsic soundness. For there never was any question as to that.

French Rentes

French rentes have ranked equally high but outside of France, where they long ago attained the dignity of a sacred institution, their market movements have not carried the ponderous weight accorded to Consols.

Have two or three years of war with unprecedented expenditures of lives and treasure impaired the security of British and French bonds? Not in the least. It simply has forced these countries for the time being to place

their credit instruments for sale on the bargain counter.

Just consider for a moment the human side of the question, or business side if you please, entirely apart from its statistical aspects upon which I shall touch later.

Commercially speaking, credit outranks all other elements which go toward conducting the world's business. It is almost synonymous with character, which it takes a lifetime for a man to build. Ninety per cent. of the world's business is done on credit. England for generations had held the commercial supremacy of the world. That had been gained by a hundred years of intelligent, painstaking and honest merchandising and banking. Back of it all has been that sturdy, inflexible English commercial integrity, known throughout the seven seas and beyond their confines. Is the commercial integrity of the United Kingdom of Great Britain and Ireland, as a nation, to be accorded a rank inferior to that of the individuals, firms and business institutions of which it is composed? Quite the contrary. Could commercial England, from the point of view of expediency alone, if you choose to put it on that ground, afford to dishonor an external debt of a billion or two dollars contracted in the United States and thereby stultify herself before the whole world?

The punctiliousness of the individual Frenchman in satisfying a debt of honor needs no extended comment. Is France, as a nation, who has fought so magnificently, bled so profusely and suffered so stoically, going to be any less punctilious in meeting a debt of honor—an external debt contracted in the United States? Can the idea of repudiation of her external debt be associated for a moment with that France which is credibly reputed to have spurned contemptuously an offer of a separate peace with a restoration of her lost provinces of Alsace and Lorraine, made by her foe early in the War! Such a peace would have saved the nation billions of francs and hundreds of thousands of her sons, at the expense of her honor. She chose to spend the former but to retain the latter.

But, it may be objected, this is all very well. No one doubts the integrity of Great Britain and France. The best of people, however, may at times get into financial difficulties which they cannot meet. Quite true; so let us look at a few figures.

Britain's Wealth

Great Britain's total debt has increased from $3,530,000,000 before the war to say, approximately, $15,000,000,000. Against that her total wealth is estimated at $85,000,000,000. Put in another form Great Britain has issued mortgages against her assets to the extent of less than 18% of their value. Would not the average investor be glad to purchase bonds of a stable industrial property which was worth nearly six times the amount of bonds outstanding against it? It is only on rare occasions that he gets the opportunity to do so. Savings Banks and Insurance companies think they are doing pretty well when they buy mortgages on property worth twice the amount of the indebtedness.

Prior to the outbreak of the war the income of the British Nation was about $12,000,000,000 per annum. Sir George Paish has recently estimated that this income has been increased by $3,000,000,000 a year since the war began or to $15,000,000,000 per annum. Would not the average investor be highly pleased to purchase bonds of a railroad corporation which was earning each year 100% or over on the entire bonded debt? Yes, but again he rarely gets the opportunity and never on a 6% basis.

French Wealth

The wealth of France is estimated at $50,000,000,000 and her annual income $10,000,000,000. Thus, we have a combined asset valuation of Great Britain and France of $135,00,000,000 yielding an annual income of $25,000,000,000.

So far we have loaned the Allies in one way or another about $1,500,000,000. That constitutes an external debt and as such is a preferred obligation.

taking precedence both as to principal and interest over their home loans. It is hardly worth while to sharpen one's pencil enough to deduce through percentages the meaning of a mortgage of $1,500,000,000 against an asset valuation of $135,000,000,000; and an annual interest charge of about $80,000,000 against an income of $25,000,000,000.

Why, the annual *savings* of Great Britain are placed at $1,875,000,000 and of France at $1,250,000,000, a total of $3,000,000,000—enough to pay in one year twice their Governments' indebtedness to the United States. The British Exchequer returns for the fiscal year ended March 31, 1917, recently reported by cable, showed a revenue of $2,865,000,000 against $1,680,000,000 in the previous year.

From these figures it is obvious that both Great Britain and France have a long way yet to go before reaching the end of their financial rope. And I hazard the prediction that this war will be over long before they have any where near reached it; especially now that the mighty weight of the United States, with our $200,000,000,000 of wealth and $35,000,000,000 of bank resources, has been thrown into the balance with the Allies against the common enemy.

No Prostration Likely

There has been much loose talk since the begining of this gigantic struggle to the effect that conceding victory to the Allies, eventually, they would be left prostrate industrially and financially at its end. Quite the contrary is more likely to be the case. Never in their history have either England or France displayed such astounding progress industrially as during the past year; and this in spite of the fact that millions of their supposedly most capable workers have been withdrawn from industry for service on the battles lines. Their remaining forces of labor and executives have been so organized and directed as to achieve results quite as heroic in their way as those accomplished by the armies at the front. It is a huge task to supply munitions of war alone, on such a tremendous scale as has been required in the last year; probably quite as huge as that of conducting the entire commercial affairs of the nations in times of peace. Yet this has been done and in addition to it, external trade has been driven even more vigorously than before. Great Britain's exports to the United States, for instance, in 1916 were $52,000,000 greater than in the year before, and $13,000,000 more than in 1913, while France increased her shipments of goods to us last year by $25,000,000. There is no sharper spur than that of necessity. Its sting has injected new life into both British and French industry which, I believe, will mean a rejuvenation of those nations and speedily restore their credit after the war to its former high standard.

Aside from the advantage to be derived by individual investors through the purchase of Foreign Bonds as an investment per se, it is worth while to view the situation in its broader aspects. When the Federal Reserve Banking System was inaugurated in 1914, the United States was supplied with the machinery which, if properly operated, would open the door through which we could emerge as a world commercial and financial power. Prior to that, our banking and mercantile pursuits had been continued along more or less provincial lines. That great instrument of credit, known as the banker's acceptance, which England for generations had used to such advantage toward promoting her commercial supremacy throughout the civilized world, was unknown in this country. Within two and a half years after the establishment of the Federal Reserve System, however, the American banker's Acceptance has achieved a place of no small prominence in conducting domestic and foreign trade.

Reciprocal Basis Necessary

We need, however, to extend not only short term commercial credits to our foreign customers but we should also purchase the longer term securities of foreign governments and corpo-

rations. A great international trade may be built up temporarily, under stress of circumstances, on a one sided basis, but it cannot endure long on that foundation. Trade is a two-sided affair. A nation, no more than an individual, cannot achieve the highest results by pursuing a policy of always taking and never giving. If we are to receive continued benefits in a large way from our foreign friends we must do business with them on a reciprocal basis. If we hope to retain the high position into which we have been thrust by what might be called the accident of war, we must adopt a broad view of world finance. In return for goods sold to other countries, we must be prepared to buy for them such securities of unquestionable merit as they may have to offer.

To the average man, this may seem an academic question or one in which only bankers are principally interested. But that is not true. It is a subject which touches directly or indirectly practically every inhabitant of the United States. Off hand, it might seem a far cry from the mechanic in the work-shop to the flotation of a large foreign bond issue through Wall Street. But the two are very intimately related. Unless the mechanic's employer receives business for his plant, the mechanic loses his job. On the other hand, the more business which the employer receives for his plant, the better wages he can pay and the more men he can employ.

Our Opportunity

The productive capacity of this country has been increased so enormously since the beginning of the war that I think difficulty will be found in fully employing it after the war, unless our foreign trade can be developed to a much greater extent than has heretofore been done. Cessation of the demand for materials and supplies from the European warring nations is going to leave a large gap in our industrial situation and the way to fill that gap is to so shape our commercial and financial practices as to attract and hold trade with the entire world on a huge scale. This can be done only through an extension of liberal credits to foreign countries.

Within a few years, we have passed from the ranks of debtor nations to those of creditor nations. An opportunity confronts us which, in the ordinary course of affairs, would not have been presented to us probably for another generation. Shall this opportunity be embraced or shall it be allowed to slip by unheeded? The answer rests largely with the American investors.

GROWTH OF THE TELEPHONE

"The growth of the telephone system during the life of men now in active business has been one of the most remarkable developments in economic history. The progress of the United States is closely wrapped up in the story of the development of this great business from its early beginnings up to the opening of the first transcontinental line on January 25, 1915, and the subsequent remarkable progress in wireless telephony.

"The Bell System now consists of approximately 10,000,000 telephones, of which over 6,600,000 are owned and operated by Bell Companies and the remainder, or about 3,300,000, are owned and operated by local independent companies having connecting contracts with the Bell Companies.

"The Bell System is no monopoly. Many thousands of independent companies are scattered all over the country and a great majority of these merely connect with and are therefore part of the general Bell System of communication."— ***N. C. Kingsbury, Vice-Pres., N. Y. Telephone Co.***

NATHAN L. AMSTER

That Rock Island Fiasco

(Concluded)

N. L. Amster Tells of the Brighter Outlook for Rock Island Security Holders — Successful Fight of the Amster Interests — A New Regime for the Property

Part II—The New Rock Island

IN the preceding installment it was shown how the Reid-Moore syndicate obtained control of the Chicago, Rock Island & Pacific Railway Co. by the purchase of approximately one-third of its stock in the open market, how the famous and ill-starred financial pyramid was constructed, consisting of first, the old Rock Island Railway Co., secondly, a holding company known as the Rock Island Railroad Co., and last another holding company known as the Rock Island Co. This pyramiding of two holding companies, capitalized at $300,000,000 in stock and $75,000,000 4 per cent. collateral bonds, and having the $75,000,000 old Railway Company's stock as its only equity and the dividend from that stock as its sole source of income, is aptly described, by one thoroughly familiar with its construction and history, as the equivalent of taking one piece of paper—say a hundred dollar bill—and re-issuing it in three pieces of one hundred dollars each.

The Collapse

Early in 1914 it was evident that the jig was up. The patient was on its death bed and all that remained was to make plans for dismembering the corpse. When the Railway, or operating company discontinued dividends, the coupons on the holding company's 4 per cent. collateral trust bonds which were secured by an equal par value of the Railway stock and which derived their income from the Railway Company's stock dividends, were automatically in default. In short, the Rock Island Co. (the holding Co.) was bankrupt.

The dismemberment plan, which was the creation of those financial interests whose mismanagement had brought the Rock Island into its plight, calculated to deprive the collateral bondholders of their equity, and instead of giving them the pledged stock of the Railway Company, as one would naturally think, since that was the collateral securing their bonds, the Court was asked to decree that the 713,000 shares of the Railway pledged stock be sold for cash at auction in one block and the proceeds from the sale be distributed to the collateral bondholders, instead of a pro-rata of the stock which secured their bonds. A judge was found who actually entered such decree, authorizing the sale of the entire block of 713,000 shares Railway stock at auction. This "insiders" plan was especially disconcerting to the small bondholder, for the foreclosure sale was scheduled to take place at a time when the Stock Exchange was closed, following the outbreak of the war, and when even Government bonds could hardly be sold to advantage. So the chances of the small bondholders getting together and bidding in their

own securities were reduced to an inconsequential minimum.

Enter Mr. Amster

At this juncture, one Nathan L. Amster, of Boston, injected a long and active spoon into the seething pot of Rock Island's affairs. A word describing Mr. Amster is not out of place. Those who come out of Boston may be grouped, generally speaking, into two classes—those who amount to a lot and those who do not amount at all. Mr. Amster does not belong to the second class. Nathan L. Amster is long and dark and sinewy. He confesses to 46 years of life and activity. Born on the other side of the ocean, he came to this country a lad of about 18. His total capital then would not purchase a tenth interest in a single Rock Island bond selling at par. Since then, times have bettered, or rather Mr. Amster has bettered the times. As a youth he went west and worked in the mines with a pick and shovel. During the day he labored and observed, and in the evenings he studied mining. He learned to know a glory-hole from a blast-hole and a prospect from a mine. Naturally quick and shrewd, he became interested in mining properties in a very small way, then in a larger way and as he prospered, in a big way Late in the fall of 1913 Mr. Amster found himself with a considerable amount of funds available for investment. The collateral 4 per cent. bonds of the Rock Island Railroad, secured by an equal amount of stock of the Railway Company, looked attractive. They were selling around 50 and he said to himself: "If these bonds continue to pay their interest, they will yield me approximately 8 per cent. If they default their interest, I will receive the collateral in Railway stock, which ought to be cheap at 50 a share."

Dismay of Mr. Amster

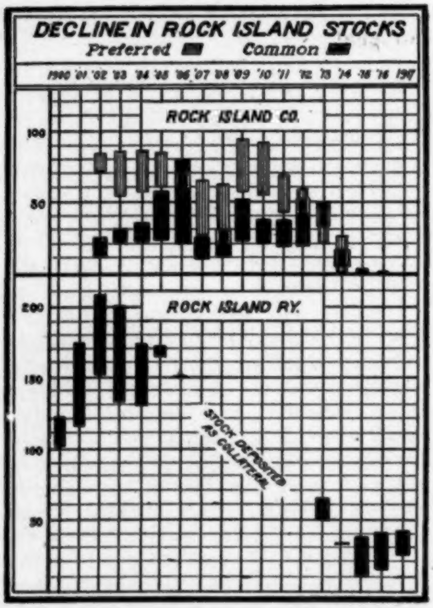
Picture, then, the dismay of Mr. Amster, of Boston, when the bonds defaulted their interest and he found that he was not to receive his collateral stock. Promptly he raised his voice in protest, a solitary bondholder crying out against the dictates of High Finance. And as promptly High Finance told him, in effect, to go chase himself. Mr. Amster is unversed in the art of self-pursuit, so he inverted the advice of High Finance and set out in pursuit of his advisors. Knowing Wall Street laughed at this spectacle of a rank "outsider" having the temerity to tell the "interests" to stand and deliver. But Mr. Amster merely tightened up his belt and, speaking figuratively, slipped from second into third speed. Meanwhile he studied Rock Island, talked Rock Island, ate, lived and dreamed Rock Island. If his investment must net him a loss, it was not to be because he was not in possession of every fact in connection with it. Meanwhile, in order to make sure that the legal end of his fight received proper attention, he engaged the service of one Samuel Untermeyer who has forgotten more about corporation ways and corporation legal law than most men ever learn.

The "Interests" at Bay

The first stopping place in the chase was the Federal District Court of New York, where Judge Mayer handed down what, to an ordinary man, would have been a knock-out, in the shape of a denial of the petition of the Amster interests, then representing about $1,000,000 of the collateral bonds, to intervene in the foreclosure suit brought by the Central Trust Co., the trustee against the Rock Island Holding Co. for failure to pay off principal and interest on the 4 per cent. collateral mortgage, secured by $71,350,000 Railway Co. stock. The Court ordered, as said before, the foreclosure sale of the entire block of stock at auction as originally planned. Instead of being discouraged, the Amster interests again took up the chase and with better results, for at the next stopping place, the United States Circuit Court of Appeals for New York, the decision of the lower Court was reversed.

To follow the tangled skein of Rock Island's affairs and the part N. L

Amster and his associates have played therein, would require more space than is permitted to this article. Sufficient to say that through the efforts of Mr. Amster the sale of the 713,000 shares of Railway pledged stock in one block was prevented and that stock was distributed, as he insisted it should be, pro rata among all collateral bondholders alike; largely through his efforts the Interstate Commerce Commission investigated and condemned the receivership of Rock Island and his Committee raised $500,000 on Receiver



Certificates B, which prevented the default of $20,000,000 Debenture bonds at a time when it would have meant practically the annihilation of the stockholders' equity in the Railway Co. It was the Amster Committee, too, which instituted suit for recovery of $7,500,000, alleged to have been wrongfully diverted from the Rock Island Railway Company's treasury in the 'Frisco deal in which deal the Rock Island Railway Company, as a separate and distinct institution from the holding company of the same name, had no interest whatever. And finally, through an aggressive educational campaign, the Amster Committee made the stockholders understand the value and merit of the Rock Island and prevented many of them from sacrificing their stock at the low prices.

Mr. Amster's Own Views

It is a difficult matter to get Mr. Amster to talk of what he has accomplished personally. He has fought the good fight for the collateral 4 per cent bondholders, but he prefers to talk of the future rather than of the past. Perhaps his attitude is an unconscious reflection of one of his theories of life, which is:

"A person may have done something which meets with approval, but that person knows that there was so much to be done which was left undone, and so much still to be accomplished, that he is indeed a shallow egotist who spends his time and thought in felicitating himself upon what little he has succeeded in doing."

Upon the future of Rock Island, the "new Rock Island" as he calls it, Mr. Amster has much to say. We quote him as follows:

"The present reorganization, perhaps one might say re-birth, of Rock Island is not like any other reorganization with which I am familiar. It is wholly unlike the ordinary reorganization with its scaling down of bonds and stock. Although there is a reduction in fixed charges of $2,000,000, or one-sixth of former charges, no security holder or creditor has given up a single *valid* claim. Under the reorganization plan the debenture bondholders receive 6 per cent. preferred stock in lieu of their 5 per cent. bonds, and in my judgment this preferred stock is more sure of its dividends than the bonds were of their interest.

"The stockholders are purchasing $30,000,000 7 per cent. preferred stock, and in doing so are not only making a good investment but are replacing the bankers who hold the company's floating notes. It is well known that some of these banking interests have not been particularly friendly to the stockholders, notwithstanding that their

loans were well secured and that some of these loans cost the company, in interest and commission, as much as 7 per cent. per annum. The floating loans and the Receivers' Certificates will now be paid off and fixed charges will be reduced about $1,000,000 per annum.

Financial Resources

"When the property is turned over to the stockholders, there will be about $40,000,000 of first and refunding bonds and other good marketable securities free in the company's treasury, besides a substantial amount of cash — say about $10,000,000 — which should be more than enough for all legitimate future requirements. I would like to add here that the first and refunding bonds, by reason of $35,000,000 new money going into the treasury, will have greatly increased their equity, and on the present earnings their margin of interest safety is nearly doubled. Next July, when the first gold 6 per cent. bonds are paid off in cash, the only mortgage ahead of the refunding bonds will be the $61,000,000 General 4s, which is a rather insignificant amount on a railroad the size of the Rock Island with its valuable Chicago terminals. This should advance the first and refunding bonds market-wise into a prime bond ranking with the best of railroad bonds, and the company should get a very good price for such of the bonds as it may, from time to time, wish to market.

"I am a great believer in Rock Island. The new Rock Island is sure to come into its own and surpass all its past glory, both as to earning power and economic and efficient operation. Good headway has already been made in this direction during the last two years. That the property has great potentialities is shown by the results for the calendar year ended December 31, 1916, for which year the Receiver reports the property earned over $80,000,000 gross, and after deducting all interest charges rentals, taxes and very liberal expenditures for property upkeep, the net surplus for the stock was equal to 10¾ per cent. per annum. I believe, however, that is only a beginning, and that the new regime will in time be able to improve on that.

Not Over-Capitalized

"There is an erroneous idea prevalent to the effect that the Rock Island Railway Company is over-capitalized. As a matter of fact its bonded debt and stock capitalization is materially below the per mile of the average successful American railroad. The property, however, has been under-managed and did not receive the required personal attention, but that phase of its existence has gone, never to return."

The foregoing estimate of the present position of Rock Island is of course the personal opinion of Mr. Amster, but an examination of the road's requirements and resources, as drawn up by the present Joint Reorganization Committee, indicates that it is founded on considerably more than merely optimism. The property's estimated requirements up to December 31, 1919, are calculated at $38,312,840. The estimated balance of cash provided for in reorganization, after paying all short term loans, receiver's certificates and expenses, is $8,000,000. The property should earn $10,000,000 net this year, so that on December 31 next there will be remaining only $20,000,000 to be provided for in the next two years. In addition to the earnings of the property during that time, there will be securities available for sale with a par value of approximately $59,000,000. Another year's earnings approaching those of the current year should re-establish the road's credit and permit it to sell these securities on a very satisfactory basis.

The Rock Island fiasco belonged to an age in railroading which has gone. All things come to those who wait, and it seems highly probable that those bondholders and stockholders who long ago backed their faith in the property with their cash, and who have grimly refused to be scared or shaken out, will finally be rewarded as they so richly deserve.

MONEY--BANKING--BUSINESS

War's Effect on Foreign Credit

Sensational Advances in Foreign Exchange—Allies War Loans Strengthen—American Financing

By L. RAYMOND WALKER

ON April 5, 1917, the financial district realized that the entrance of the United States into the ranks of the belligerent nations was a foregone conclusion. Although it is at present not possible to forecast how deeply the United States shall become involved in the war, it may be safely assumed that the enormous financial and industrial resources of this country will be placed at the disposal of the Entente Allies. The shipping of gold, to which England had to resort to strengthen the position of the pound sterling and other allied currencies in New York City, will be a matter of the past. The expectation that the United States of America will grant unlimited credits to the Entente Allies was the immediate occasion of a sensational rise in the currencies of France and Italy on April the fifth. On March 30, 1917, the currencies of the four leading powers of the Entente Allies were quoted in New York City as follows:

	Parity	March 30	Discount %
England	4.86⅔	4.75½[1]	2¼
Russia	.51½	.28½[2]	44½
France	5.18¼	5.84½[3]	11½
Italy	5.18¼	7.76[4]	33¼

[1] $ per pound. [2] $ per ruble. [3] francs per $. [4] lire per $.

On April the fifth the French franc jumped from 5.77 to 5.68, closing at 5.73, and the Italian lire jumped from 7.55 to 7.26, closing at 7.34; pound sterling and rubles were unchanged at 4.75½ and 28½. As the pound sterling has kept practically stationary around its present price for over one year, it is not surprising that the latest developments did not affect the quotation. It is, however, remarkable that Russian exchange was so little affected by such favorable news as the entrance of the United States into the ranks of the belligerents; the lack of reliable news from Russia and the possibility of a separate peace with Germany through the help of the Scandinavian Socialists is undoubtedly responsible for it.

Another important event took place in London on the fifth of April, 1917. The Bank of England, which had reduced its official rate in January from 6% to 5½%, reduced it to 5% on the day preceeding the declaration of war by the United States.

The movements of the unsecured obligations of the Entente Allies during the first week of April were the most interesting feature of the bond market. The following statistics compare the prices of March 31 with the prices of April 5:

	March 31	April 5	Rise
Anglo-French 5s..	92⅝	93¾	1⅛
City of Paris 6s..	94¼	95½	1¼
Russian 6½s.....	95¼	96½	1¼

This movement shows a gain of a little over 1% in the unsecured external obligations of the three leading Entente Allies. This improvement is indeed very small, but it must not be forgotten that the supply of government securities on the New York Stock Exchange will be tremendously increased through further issues of obligations of the Entente Allies and through the big national war loan of the United States of America. According to estimates it is proposed to raise $3,400,000,000 for the army and navy of the United States, and it may be taken for granted that little over one-third of this amount can be raised by taxation, while about two-thirds, or more than two billion dollars, must be raised by a national loan.

Leading Opinions

About Financial, Investment and Business Conditions

Wall Street Backs President

Wall street was unanimous in hearty and enthusiastic approval of the President's message to Congress.

Henry P. Davidson, of the firm of J. P. Morgan & Co., after expressing the satisfaction with which he had read the President's message, said he heartily approved the suggestion it contained that government loans should be supplemented by equitable and well conceived taxation.

A. Barton Hepburn, chairman of the Chase National Bank, regarded the President's message as one of the greatest addresses ever delivered by a head of the nation. In his opinion it had restored the dignity of the country, and had placed the United States in a position where it can assure for itself, after the war, a voice in the rules governing the seas.

Frank A. Vanderlip, president of the National City Bank, said the President's message was "one hundred per cent. perfect."

"The financial machinery of the country," he said, "should be immediately mobilized in order to be ready to co-operate with the Government and a fixed policy of action decided on preparatory to raising the immense amounts that will be required."

James N. Wallace, president of the Central Trust Company, said: "The President's message was magnificent. No true American can fail to respond to it."

James S. Alexander, president of the National Bank of Commerce, said: "The Government should immediately proceed to gather all the facts underlying the financial situation. They should appoint an advisory committee of experienced bankers and should send a small commission of trained financial men to confer with representatives of the allied governments in London. We are working for the same end."

M. E. de Aguero, president of the Consolidated Stock Exchange, said: "In my opinion, the President in his 'war' message to the Congress has voiced the feelings and thoughts of every true American, from Maine to California, and from the Lakes to the Gulf. I think that the voice of America, raised in the interests of humanity and justice, will go far toward shortening this terrible conflict, and that every man and every dollar should be put at the service of the Government."

"Business Undisturbed"—Dun's

Declaring that the formal recognition of a state of war has been generally discounted, and that business proceeds without semblance of disturbance, though with appreciation of the economic changes that must invariably follow. *Dun's Review* in its weekly report on business conditions says:

Additional stimulus in industrial activity is foreshadowed by present and prospective Government requirements, and for some time preparations have been under way to effect the necessary readjustments in both production and prices. The exact nature and extent of Federal financing is as yet undetermined, but in banking circles the pending needs are awaited with composure, as funds have been prudently kept in a liquid position and the nation's monetary resources are unequaled and more skillfully organized. With such solid facts in evidence, faith in the future remains a conspicuous feature, and while there are elements of uncertainty in the commercial situation, forward plans testify to sustained confidence in the stability of the leading markets.

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THE THINKER

Many new enterprises have started and the domestic and export demand, taxes the capacity of most mills and factories, with the full employment of labor and the further wage advances tending to offset the extreme costs of necessities. Except where Government wants are to be considered, the prevailing trend of prices continues strongly upward, and both grain and cotton have been influenced by pessimistic crop advices. With an increased consumption of the principal staples in prospect, the importance of large agricultural yields is more than over apparent, but it is still too

early to place reliance on predictions of meagre harvests and the outlook may distinctly improve with a favorable turn in the weather.

March Equipment Orders

Railroad equipment orders placed in March involve an outlay of $70,370,000.

They call for 172,432 tons of steel rails, 335 locomotives, 13,661 freight cars and 98 passenger cars.

Following is a record of the equipment orders placed thus far this year and for the two preceding years:

RAIL ORDERS

	1917.	1916.	1915.
January	360,000	241,300	200,000
February	201,600	124,900	150,000
March	172,432	1,052,000	160,000
April	...	955,400	65,000
May	...	228,050	14,000
June	...	513,150	225,000
July	...	44,000	240,000
August	...	166,000	160,000
September	...	131,000	360,000
October	...	172,500	490,000
November	...	737,000	255,000
December	...	600,000	353,000
Totals	734,032	4,965,300	2,672,000

—*Copyrighted, Tribune Association*

SOMEBODY IS DUE FOR AN AWAKENING

FREIGHT CAR ORDERS

	Domestic		Foreign	
	1917.	1916.	1917.	1916.
January	14,095	14,613	5,500	1,100
February	6,781	9,323	14,000	1,200
March	8,611	14,233	5,050	2,075
April	...	7,228	...	1,000
May	...	4,154	...	3,500
June	...	3,031	...	2,140
July	...	1,514	...	7,210
August	...	5,041	...	...
September	...	9,152	...	4,000
October	...	21,034	...	...
November	...	55,530	...	1,000
December	...	16,195	...	6,530
Totals	29,487	161,048	24,550	29,725

PASSENGER CAR ORDERS

	1917.	1916.	1915.
January	168	310	32
February	76	75	98
March	98	152	566
April	..	101	38
May	..	33	412
June	..	164	74
July	..	46	81
August	..	13	..
September	..	146	61
October	..	112	16
November	..	491	461
December	..	211	..
Totals	342	1,854	1,839

LOCOMOTIVE ORDERS

	Domestic		Foreign	
	1917.	1916.	1917.	1916.
January	512	231	47	2
February	252	272	95	129
March	236	634	99	461
April	..	178	..	12
May	..	248	..	30
June	..	172	..	213
July	..	25	..	27
August	..	41	..	144
September	..	243	..	6
October	..	87	..	181
November	..	342	..	633
December	..	241	..	464
Totals	1,000	2,714	241	2,302

Allies Shell Contracts Expire

The business of making shells for the Allied Governments came to an official end in the United States on April 1.

Plants erected in many parts of the country for the exclusive purpose of manufacturing shrapnel and high explosive shells and fuses have been closing down during the last two weeks, and workmen have been shifting into other lines of activity. All the shell contracts have not been completed, and some will run for a time, but the great bulk of the work, which amounted to hundreds of millions of dollars last year, is finished.

The Westinghouse Electric and Manufacturing Company, the Remington Arms-Union Metallic Cartridge Company, the Midvale Steel and Ordnance Company, and the Winchester Repeating Arms Company have considerable work to do on the rifle contracts. The Bethlehem Steel Company has some shells for Russia to complete and

a considerable amount of heavy ordnance, it is understood, for Great Britain. The American Locomotive Company's Montreal branch will continue to make shells while Canadian concerns are called upon to supply the armies, but the orders taken by the company in this country are nearly, if not entirely, delivered.

Railroad Nets Show Declines

A review of the condition of the American railways during the past calendar year has just been issued by the Bureau of Railway Economics, indicating that the net revenues have begun to show a decline. The bureau stated:

"The net operating income of railways of the United States for December, 1916, was less than that for December, 1915, by $22 per mile, or 5.3%.

"Total operating revenues, $310,735,893, exceeded those for December, 1915, by $22,637,177. Operating expenses, $209,021,016, were greater by $24,510,949. Net operating revenue, $101,714,877, fell off by $1,873,772. Taxes, $14,826,762, increased by $2,519,125. Net operating income was $86,769,810, a decrease of $4,449,031."

U. S. May Control Can. Pac.

The biggest foreign railroad financial transaction ever undertaken in the American market, whereby securities of the Canadian Pacific Railway, valued at between $100,000,000 and $200,000,000, will be transferred from the London to the New York market, is nearing completion.

The negotiations are being carried on by a syndicate of American bankers headed by J. P. Morgan & Co., fiscal agents for the British and French governments.

The main purpose is to establish dollar credits in the New York market so as to stabilize the sterling exchange situation here. From the American viewpoint it will bring to this country an important voice in the management of Canada's largest railroad. With securities that have been sold in this market since the beginning of the war, control of the road will probably rest altogether in this country.

Tel. Expansion Checked

Vice-President Bethell of New York Telephone Co., says:

"The ever-increasing demands for telephone service have practically exhausted surplus plant of the company. To build plant to meet all demands is impossible, because necessary raw materials cannot be secured. Erection of new buildings necessary to house central office equipment is retarded because of difficulties in securing necessary steel and other building materials. Manufacturers generally have for the past year been refusing orders for materials except on a delayed basis, and railroads have frequently been required to place embargoes against passage of freight over their lines.

"The Telephone Co. has gone forward without attempting to restrict in any way the growth of its business. The time has arrived, however, when extensions cannot, for reasons explained, be made. The policy will be to install as rapidly as possible such service as appears to be urgent and to do the best we can with all demands made."

—*Lustig Blätter*

THE CZAR'S PLAYTHING
"Oh dear! oh dear! How my dolly has grown!"

To Fight Higher Transfer Taxes

The governing committee of the New York Stock Exchange held a special meeting recently to formulate plans for a protest against the amendment now pending in the Legislature increasing the tax on the transfer of securities from $2 to $4 a hundred shares.

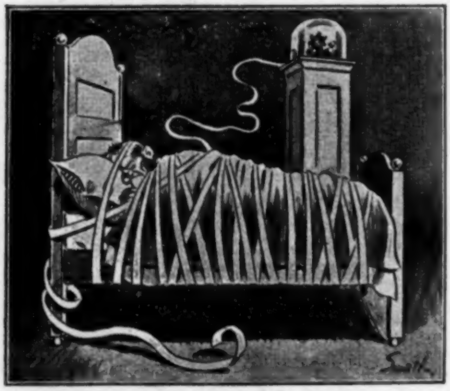
The bill was introduced in the Senate by

James A. Emerson, chairman of the Committee on Taxation, and a similar bill has been introduced in the Assembly.

The governing committee of the Stock Exchange believes that an additional tax of $2 a hundred shares will be added by the Federal Government in event of war, and points out that if the State should also add another $2 it would make dealing in securities almost prohibitive. The committee also believes that it would be especially harmful in the event of war.

The governing committee points out that the State last year collected about $6,400,000 from the tax on the transfer of securities, and that if an additional tax were to be put on securities, it would restrict dealings to such an extent that the revenue to the State would be no larger than at present.

A statement was issued by the Association of Employees of the Wall Street district outlining opposition to the bill.



—*The Lamb*

NIGHTMARE OF A TRADER AFTER A STRENUOUS DAY AT THE TICKER

Shipyards to Build War Vessels

The Navy Department is preparing to assign to American shipbuilders such portions of the great building program authorized by Congress as each plant is best fitted to handle.

Bids for six scout cruisers received recently were within the limit of cost fixed by Congress, but no awards will be made until the survey of the entire shipbuilding industry has been completed.

Representatives of all major shipbuilding companies will confer with Secretary Daniels. Full information as to the present capacity and possible extensions of each plant has now been furnished. On the basis of this data a plan for distributing among the plants of the eight capital ships, six scout cruisers, 38 submarines, and 15 or more destroyers will be mapped out and each builder be called upon to undertake without delay his share of the work.

Receiver Dickinson On Adamson Law

Receiver Dickinson of the Rock Island says regarding the Supreme Court's eight-hour decision: "I do not know the doctrine upon which it is based, but I have always maintained that it would be for the repose of the country and in the end for the good of the railroads that the constitutionality of the act be maintained on the principle contended for by the solicitor-general in argument of the case, that the Government has the same right to regulate those conducting instrumentalities of commerce, as it has to regulate rates of such instrumentalities, that these rights are commensurate, and that both are necessary for protection of public.

"The letter handed to the Committee of National Defense by the railroad managers shows on its face clearly that the managers were moved by a sense of patriotic duty in what they regarded as a great national crisis with the purpose of not only avoiding interference with efficient operation of railroads, but of showing to the enemies of our country that it would not become helpless through any stand taken by them, which might invite such aggressions as have been stimulated by the course of so many pacifists and men in public positions interested with the welfare of the nation.

"The brotherhoods did not hesitate to call a strike while the question of constitutionality of the Adamson law was pending before the Supreme Court, and this action emboldened enemies of our country to such acts as sinking of American ships. There would have been no danger of a war with Germany if our own people had maintained a solid front."

"Other Nations Will Follow Russia"—H. Clews

"The grand result of the war to the Russian people," says Henry Clews, "is worth all it has cost them in blood and treasure, as God Almighty has ordained that it is hereafter to be a government after our own hearts—of the people, for the people and by the people; and that other nations engaged in the present war will follow the example of Russia is 'a

consummation devoutly to be wished' for the good of the human race."

Expert Financial Opinion

Hayden, Stone & Co.—Early relief from this situation must be provided if the plight of the railroads is not to become intolerable.

An entirely new phase of the great world's struggle is presented by our entrance, to which the market must adjust itself. Until the uncertainty attending the working out of these new problems has been dispelled, and the effect of their influence can be more accurately gauged, the market can hardly be expected to be otherwise than irregular, but to each phase of the war as it has presented itself, the market has in time adjusted itself, without too much disturbance, and the fact that this new development arises at a time when stocks are quite strongly held and there is almost an entire lack of inflation, together with the belief that war requirements, though serious, will not be disastrous, inclines us to adopt, on the whole, a constructive attitude.

The National City Bank of Chicago.—There has never been a better demand for the seasoned industrial securities. The reason for this is that these properties are in an unusually strong position, with earnings well above those of any previous year. Most of these corporations showed the highest efficiency of management and have largely discounted the readjustment to peace conditions which the ending of the war will bring about. The railroad shares have also shown pronounced strength at the Supreme Court's decision and the ending of the strike controversy. The situation in the securities market therefore is highly encouraging and considering the fact that prices have advanced in the face of threatening war rumors, the upward movement has reflected a strength which the markets have seldom, if ever, shown under disturbed conditions.

Sheldon, Morgan & Co.—The general banking condition of the country is better than it has been for some time. The volume of business has been steadily increasing, while large concerns are beginning to make some use of the elasticity of credit open to users of acceptances. The stock market is in far better shape to withstand unexpected turns in the news of the day than it was in the late fall when speculation was pyramided. Then, on April 2, the gold holdings of the United States Treasury were the greatest ever held by any nation in the history of statistics. The total value of the coin and bullion in the vaults was $3,044,309,292. The sum had practically doubled within the last five years.

Moore, Leonard & Lynch.—Indications are that stocks have been passing from weak to strong hands the past several days. Provided no unlooked for bearish news makes its appearance, the purchase of stocks at present levels should prove profitable. The steel and sugar stocks look attractive.

J. S. Bache & Co.—The financial and stock markets are now all at once almost suddenly brought face to face with these great problems and are digesting them. The market holds well under this pressure.

As far as the railroad situation is concerned, the unfavorable February statements should not be taken too seriously, as they represent expense of operation during the worst month of the year for winter obstruction. St. Paul had to fight the fiercest storms which it has yet encountered. At one time a continued solid drift eight miles in length had to be cut through to clear the tracks, with the snow at places piled up far above the tops of the engines. Such expenses are unusual, but heavy, and will not prevail in later months, although March may show some traces of them.

Many of the problems will be, at least partially, digested soon. Meantime the market itself is in a state of preparedness by reason of the moderate level of prices.

—Copyrighted by the Chicago Tribune

MR. WILSON SENT ME OUT TO PLAY WITH YOU BOYS.

Charles H. Jones & Co.—The investor can choose out of a varied list of offerings different bonds or stocks, or both, which will scatter his investments both as to character and as to location so that it will be practically impossible to encounter a sudden and complete loss of his principal. The field from which such selections are to be made is almost without limit.

Money and Exchange

The Money Market Unruffled — Money Rates Versus Interest Rates—Gold Imports

WE are entering upon the greatest war preparations since the Civil War, with the proposal before us to raise $5,000,000,000—equal to approximately $250 for every family in the United States—yet the money market remains absolutely unruffled, with no changes in rates except trifling day to day fluctuations.

It is an extraordinary situation, yet the causes for it are plain. Our National Banks alone have over $1,000,000,000 surplus reserves above legal requirements. This would permit an expansion of loans, if the banks were so minded, of at least $6,000,000,000. Our total gold stock is $3,000,000,000, which represents an increase of more than $1,000,000,000 since the European War began; and the Federal Reserve banks could issue over $1,000,000,000 circulating notes for use as currency if there were any probability of their being needed.

In short, the strength of our banking position is so great that even the big proposed financing cannot cause any stringency. Even temporary advances in money rates will perhaps be avoided by the skillful management of the Federal Board.

Interest and Money Rates

It is a time, however, when the distinction must be drawn between rates for money—call loans, time loans and commercial paper—and the interest rate on capital for permanent investment, as represented by the average interest yield on money invested in long term bonds. Any important advance in this interest yield in the face of the world-wide war waste, in which we are now to join, is extremely unlikely.

This view is emphasized by the recent action of the banking interests representing the Pennsylvania Railroad, in offering $60,000,000 bonds at 97½, although the current market for other bonds issued under the same mortgage was at the time 102. The bonds were five times over-subscribed, which was entirely natural considering the bargain price at which they were offered. But the significant fact was that the Pennsylvania bankers thought it necessary to make such a low price on the bonds. The natural conclusion is that they believed it wise to anticipate the coming Government financing and to set a price which would insure the prompt sale of the bonds.

Looking Ahead

Looking ahead for a decade, as many bond buyers, especially for institutions, are accustomed to do, it is to be expected that the interest rate on permanently invested capital will fall. Bond prices had a general downward trend for more than a decade up to the war panic of 1914. There is a broad cycle in these movements of the interest rate and it is probable that, in a general way, we are now on the upward swing of the cycle. In the past great wars, though accompanied by higher interest rates, have always been followed by a gradual fall in the return on capital, extending over a long period. Owing to the unprecedented extent of the present conflict, this fall in interest returns or rise in bond prices may very probably be more gradual than in previous instances, and it can hardly be expected to begin until some more definite signs of peace are visible. Hence the immediate prospects for the bond market are not especially encouraging.

The foreign exchange situation will be greatly modified by the announced policy of this Government in granting credit to the Entente Allies. In recognition of that fact, Italian exchange, which has recently sold as low as 35 per cent. discount, has risen at this writing to about 27 per cent. discount. Paris exchange has also risen sharply and sterling has sold at the highest point for some time.

The Truth About Wright-Martin

A Little Journey to the Company's Plant at New Brunswick—Causes of Company's Troubles—Its Present Position and Prospects—Outlook for Securities

By BARNARD POWERS

FEW public offerings of securities have attracted more widespread and unfavorable comment than the recent flotation of the preferred and common stock of the Wright-Martin Aircraft Corporation. The idea seems to persist in the minds of the investing public that they were offered what appeared to be a sound and attractive investment, but which proved to be a security of a highly speculative character. Hardly had the underwriting syndicate announced its dissolution than the preferred stock (which had sold as high as 80) started on its downward march until it reached a low of 30. Not only that, but owners of the stock, when they tried to slip out of their holdings, found an exceedingly wide market, sometimes as much as five points or more between the bid and asked prices. Meanwhile rumors of the most alarming kind were current; that the company had found it impossible to make the famous Hispano-Suiza motor on which such high hopes were based; that it contemplated withdrawing from the automobile business; that its fundamental patents were being successfully attacked and so on. Most of these rumors were simply the figments of over-excited imaginations, although in certain cases there was some foundation in fact.

Financing a New Enterprise

The purpose of this article is to trace the cause of Wright-Martin's difficulties, show the position in which the corporation finds itself and its prospects for ultimate success. Let us summarize the financial end first. The former Wright Aeroplane Co., capitalized at $1,000,000, $800,000 outstanding, and of which Mr. Orville Wright owned approximately 97%, was acquired in October of 1915 by a syndicate of which Mr. F. Y. Robertson and Mr. T. Frank Manville were members. It is understood that Mr. Wright received practically $800,000 in cash for his interests, which were chiefly the valuable Wright patents which he and his brother Wilbur had developed.

The new Wright Co. was capitalized at $5,000,000, $4,000,000 issued, of which the syndicate bought $3,000,000 at par, the remaining $1,000,000 representing in part the moneys paid to Mr. Wright for his interests. At that time the following significant comment appeared in the public prints, a statement which, if it had been more often repeated and more widely circulated, would have obviated much of the criticism which came later;

> "The Wright Aeroplane Co. interests will probably invite participation in the syndicate to subscribe to the new $5,000,000 stock, only from men who can afford to put up money in *a venture which may prove profitable but which is not yet sufficiently developed to warrant any assurance as to the outcome.*"

The italics, which are ours, are the

key to the entire Wright-Martin situation. The backers of the new company were entering upon a virgin field and those who put their money into the project should have been prepared to await the event and abide the result.

Need of a Military Motor

The original incorporators of the new Wright Co. perceived at once that the immediate and largest field for development lay in the military aeroplane. And the fundamental factor of success in the military aeroplane is the motor. The motor is heart, body and soul, the other parts are merely accesories. Upon its life and strength the life of its pilot and observer depend, and the lighter and the more strong it is, the better chances the fliers have to return to earth the same way they ascended. There is no motor made in this country at all comparable to the motors used on the European battle fronts. The result of a trip abroad by representatives of the new company resulted in the acquisition of the American patent rights of the Hispano-Suiza motor, the invention of a Swiss and a Spaniard, and which is regarded as the best type of military motor in existence today. This motor, with its aluminum body and scarcely any visible moving parts, weighs, stripped, about 2.42 lbs. per h.p. compared with an average motor weight of between 3 and 4 lbs. per h.p. To the layman this apparently slight difference seems inconsequential, but in a 150 h.p. motor it is as wide a difference as between success and failure.

With the acquisition of the rights to make the Hispano-Suiza motor in this country the need for enlarged plant capacity and further working capital was at once evident. At the same time it was decided to develop the automobile end of the business to a point where production would reach 2 cars a day, which, it is figured, represents the present demand for a high-priced car like the Simplex which sells for $7,000. An order for 450 motors from the French Government gave further impetus and accordingly the capitalization was increased to $5,000,000 7% cumulative and convertible preferred stock, par $100, and 500,000 shares of common, no par value. Stockholders of the Wright Co. received 5 shares of the new Wright-Martin Co. common for each share of Wright Co., or 200,000 shares for the 40,000 shares outstanding. The underwriters who underwrote at $100 per share the $5,000,000 new preferred stock of the Wright-Martin Co., received 2 shares of common for each share of preferred or 100,000 shares; approximately 52,000 shares went in exchange for the acquisition of the Glenn L. Martin Co. and the remaining Simplex stock not already acquired, and the balance of common, 151,078 shares, was held in the treasury against the conversion of the preferred stock and for corporate purposes.

Price Paid by Underwriters

The Wright-Martin underwriters offered the preferred stock at $75 per share against an underwriting price of $100 per share, and made up the difference by disposing of their common stock at an average price of approximately $20 per share. After all expenses and deductions the net profits to the underwriting syndicate were approximately 10%, which cannot be regarded as an excessive underwriting profit. Notwithstanding the generally prevalent belief to the contrary, this is all the profit which the company has shown to date to any of the "insiders." For even if those who received 5 for 1 for their former Wright holdings have marketed their stock, they cannot have averaged more than $20 per share, which would let them out without profit or loss.

The syndicate which underwrote the preferred stock maintains that it never offered this stock as other than a speculation, and stock sold with the promise or implication of early dividends was disposed of under representations which did not accord with the facts. Purchasers of stock with the implication that it would go on an early dividend basis have, it would seem, just cause for complaint and maybe for action.

Insufficient Capital

It would appear that $8,000,000 should have been ample to increase the Simplex production and develop the aeroplane motor construction end of the business. But such was not the case. In the first place a very heavy expenditure for plant construction was necessary. The present plant at New Brunswick covers 6 acres and is not yet a completely rounded-out property. At the present time it employs 2,000 men as compared with 600 formerly. Next a large outlay for materials and supplies was required which, owing to the sky-rocketing of prices, was much greater than originally figured. Raw materials on hand at the present time represent $3,000,000 to say nothing of hundreds of thousands of special and intricate machinery which it was necessary to install.

Great Operating Difficulties

It seems that the original operating officials greatly underestimated their task of manufacturing the Hispano-Suiza motor. There is as much difference between manufacturing a highly developed, sensitive mechanism of this type as compared with the ordinary and commercial gasolene motor, as there is between manufacturing a Waltham watch and a lawnmower. The Hispano-Suiza must be incredibly light and at the same time unbelievably powerful—it must possess lightness of a dragon-fly and the strength of a giant. Although the company started operations with blue-prints and plans from abroad, aided by emissaries sent from the Barcelona factory, difficulties unforeseen and unforseeable arose. For instance, no foundry in the country could be found which could turn out aluminum castings of the right sort. Hence the company had to construct its own foundry and after long experimentations this "bug" was impaled. One of the French mechanicians stated that even in the home plant with all its accumulated experience, approximately 60 per cent. of castings proved defective. In another instance no metal suitable for an important "knuckle" joint could be found. The cablegram reply said that "Hoyt metal," produced in Detroit or some western city, should be used. It was obtained but proved unsatisfactory and the chemists of the company finally evolved their own solution of the difficulty. In another instance a beveling machine proved to be 90/1000 of an inch out of true and its fault only came to light when the finished product was running on the testing block. I only mention these matters to show a few samples of the heart-breaking difficulties which had to be met in this new enterprise.

At the Company's Plants

I spent the better part of one day at the Simplex plant in New Brunswick, with the view to getting at the bottom of the wild stories that were current in the financial district. One of the chief purposes of my visit was to determine whether or not the Hispano-Suiza motor can be successfully and profitably manufactured in this country as well as abroad. There seems to be no room for doubt in the matter.

With the superintendent of the plant I stood on the top of one of the broad, low buildings and watched a leather-coated, goggled mechanician tinkering with one of the new motors, mounted in an aeroplane "chassis," which was about to start on its 100 hour test. In place of a "tail" the machine had a pulley attachment which ran to a post behind on which there was a dial to record the "pull." Presently an assistant yanked down on the green-tinted mahogany propellor, the eight cylinders shot smoke and noise and the propellor blades became a green blur. The engine was "off," skipping and missing at first as it warmed up, but at length settling into a steady and mellow roar. For several minutes it hummed along comfortably and then as my guide waved his hand, the pilot leaned forward and did something to the machine. The mild thunder of the eight cylinders shot to a mighty bellow against which shouted words were powerless, the whole building trembled with the sound and the propellors,

whirling with lightning-like swiftness, sent a mighty gale to the rear which nearly swept one over the edge of the roof to the ground a hundred feet below. The propellers themselves became invisible, only a grayish mist indicating their position, and the glistening green hub at the center reminded one of a huge, spinning top.

As we drew away from the din I asked the superintendent if there was any question as to whether they could manufacture the motor successfully and in quantity.

"Not the slightest," he replied as though I had asked a "fool" question. "We have already turned out eleven which have passed the inspection of the French Commission's representatives and they have passed a higher test in horse-power, oil and gasolene consumption than the best manufactured across the water. Of course quantity production is a matter which can not be attained over night. The skilled labor necessary to make these motors must be gradually developed and production can only be expected to increase gradually. Next month we should be able to turn out a motor a day and our output should steadily increase from now on."

The Hispano-Suiza motor sells for $6,000 and at that price represents a profit of approximately 100%. An order of 500 motors at $6,000 apiece would mean profits of approximately $1,500,000 or more than 4 times the preferred dividend requirements, with a balance on the common after preferred dividends, of approximately $3.25 per share, without taking into account any earnings from other orders or from the automobile end of the business.

Automobile End of Business

Co-ordination and production, that is, *volume* production, are the secrets of success of a proposition like the Wright-Martin and Simplex company. It should be appreciated that the development of the manufacture of the Hispano-Suiza motor has proceeded hand in hand with the development of the company's automobile output. In many instances the same machines are used in the manufacture of the automobile and the aeroplane and the task of obtaining a steadiness and efficiency of operation has been no inconsiderable one. That the turn in the road has been reached in regard to the aeroplane motor has already been indicated, and the satisfactory progress of the automobile end of the business is apparent in the following figures on production for the last four months:

December output.....		15 cars
January	"	19 "
February	"	25 "
March	"	34 "

I was informed that April would exceed March and that steady growth might be expected until the desired maximum of 2 cars a day is reached.

Summary

In summing up the results of my investigation into the affairs it appears that the company found itself in difficulties for the following reasons:

(1) Insufficient capital, which was the result of,

(2) Failure to appreciate the operating difficulties which beset the path of the manufacture of a high grade motor of the Hispano-Suiza type, which in turn resulted in,

(3) Estimating plant "capacity" as representing immediate output, and,

(4) Bad operating management.

At the present time the company finds itself possessed with a plant which, with some additional outlay, will have an ultimate, not *immediate,* capacity of manufacturing two Simplex automobiles for every working day of the year and 3,000 aeroplane motors per annum. Production should steadily increase from now on, but it would be unreasonable to look for anything like maximum capacity output in less than a year.

To attain success the company needs:

(1) Additional working capital.

(2) A continuous "program."

The strong financial interests behind

the company will undoubtedly attend to the matter of working capital, but the matter of "program" is one that lies in the laps of the gods. By program is meant a sufficient volume of orders in hand to insure at least two years or a year of uninterrupted operations, for only on that basis can the plant be operated economically and efficiently.

Where the Future Lies

The future of the company lies in Washington, and it would appear that there are excellent prospects for a very sizeable order from the Government. Perhaps by the time this appears in print the order will have materialized. The Wright-Martin Company is the only one in the country which can manufacture a motor suitable for the exacting needs of military aviation and it has easily a year's start on any prospective manufacturer of a similar motor. In fact, after the gruelling vicissitudes which the company has experienced, it is doubtful if any other manufacturer, provided he could obtain the requisite capital, would have the temerity to tackle the proposition.

As to management it seems that at last the right sort has been found. Although production is gaining each month the overhead has been cut down at the rate of $250,000 per annum and the costly mistakes of the former management are not likley to be repeated.

Aerial Preparedness

That the Government plans to go into the matter of aerial preparedness is a foregone conclusion and the amounts to be spent on that end of the Service are estimated as high as $100,000,000. Of course, the company could hardly expect to make as large a profit from the Government as from commercial sales, but at the same time it would not be fair or reasonable for the Government to expect to purchase at prices which would not allow a good return on the invested capital.

That French Government Order

The company will not make large profits on its order of 450 motors for the French Government. This order is regarded as a trial one on which the company has cut its teeth and learned its task. If the order is not turned over to the U. S. Government and the final shipments are made, it will merely result in the company getting back some of the moneys expended in development. Profits available for dividends must come from future orders.

In short, then, it appears that about all the bad news is out concerning Wright-Martin, and that there are distinctly good prospects for an immediate and a decided change for the better in the company's affairs. The holders of both preferred and common issues bought at higher figures figures than now prevailing should not make the mistake of losing courage at the ebb of the tide but should sit tight and await the flood.

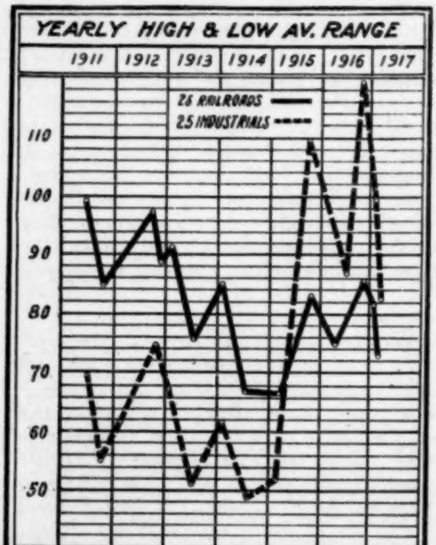
Wright-Martin securities are still very much in the speculative class and in that respect they have not changed since their issue. But the results of the very careful investigation which has been made into the company's affairs by The Magazine of Wall Street warrant the conclusion that the chances for ultimate profits outweigh by a large degree the chances for further losses.

Are R. R. Securities Cheap?

Factor of Large Earnings and High Costs—Security Prices Have Advanced But Little—Intrinsic Values and Prospects

By WALTER McNAUGHTON

ARE the railroads cheap? Are the stocks of these common carriers of our country selling currently below what they are intrinsically worth? The first impulse of those who have kept in touch with the railroad situation to the extent of watching the price undulations on the ticker tape is to answer with a rather convincing affirmative. And first impulses are often akin to first impressions. But would that affirmative be forthcoming with the same degree of conviction after thought had been given to the various factors which affect the situation and the various elements of uncertainty that surround it?



With the exception of the railroads, virtually every class of security has scored enormous advances in the stock market during the last twelve to fifteen months. The railroads, however, adhered to a general price level which approximates the average range throughout the greater part of 1913, 1914 and 1915. This is illustrated in the accompanying graphic. The comparison is between twenty-five representative railroad stocks and twenty-five industrial stocks occupying the same relative position in the industrial group of stock issues.

Big Earnings Ignored

The trend of railroad earnings during this period mentioned was pronouncely upward. The aggregate gross earnings of the leading railroads, reporting in excess of 225,000 miles of line operated to the Interstate Commerce Commission, in 1915, exceeded the combined gross of 1914 by some $153,000,000, while the 1916 total was something like $548,000,000 greater than the 1915 aggregate gross.

In the light of such an expansion in gross earnings as took place in 1916, it certainly does seem strange that there should not have been a response marketwise in the stocks. The fact there was not a conjoined and sustained as well as pronounced upward movement of the rails leads but to one conclusion—that the stock market took no notice of the huge revenues the railroads rolled up.

Assuming that the stock market looked at it so, that institution was not so very far wrong in its judgment. For, since the conclusion of 1916 operations, it has become increasingly evident that the total volume of business of the railroads in 1917 is not likely to be as large as it was in 1916. This is not so apparent in gross earnings of the leading carriers, although December and January gross business of some does exhibit shrinkage, as in

net revenues. December net earnings of railroads, operating a little over 75 per cent. of the total mileage under Federal supervision showed a falling off of some $3,950,000 or, at a rate of approximately $47,000,000 per annum. January reports covering about 53 per cent. of the total mileage showed a falling off in net of nearly $2,800,000.

Without presuming to enumerate the causes for this declining tendency, and not ignoring the significance of those losses, it can be said that the earnings of the railroads are still at a high level. And, contrasted with the current market positions of the stocks, the latter certainly occupy a somewhat anomalous position. At the present time and for months back, standard railroad stocks—stocks which have weathered severe business depressions, withstood adverse legislation and regulation by over two score of commissions and which have come out of the long months of uncertainty following the declaration of war in Europe, without serious impairment of credit or broken dividend records—are selling and have sold consistently at prices which smack of hard times.

Expenses Greatly Increased

The present situation of the railroads has been aptly named "the plight of the railroads." And when it is considered that, in a year of their greatest net earnings on record, a figure substantially in excess of one billion of dollars, the return on the amount of capital invested was only slightly over 6 per cent.; and the added consideration that in all likelihood net earnings this year will be considerably less than in 1916 so that the 1917 return upon investment will be again nearer the average in the eight or ten years preceding 1915, the railroads may truly be said to be in a plight.

The inability of the railroads to earn a larger return on the money invested in their properties is due, of course, to the enormous increases in the cost of labor and the cost of materials and supplies. In addition to having to pay from 10 per cent. to 450 per cent. more for everything needed in the active operation of trains—from cotton waste to tool steel, from fuel to cross ties—and spending 43 cents out of every dollar of gross taken in, for labor, the railroads, in the last eighteen months, have had to contend with a shortage of labor, a condition which but added to the difficulties of the general situation. Furthermore, the railroads were not permitted to increase their rates to counteract the advances in the cost of everything they had to buy in order to furnish transportation service. Railroad transportation, in fact, is the one big commodity which has not advanced in price.

With operating expenses so high in 1916 as to consume 75 cents out of every dollar of gross business done and with 25 cents remaining out of which to pay fixed charges, which required 15 cents, rentals, which required nearly

TABLE I

NEW RAILROAD CAPITAL IN LAST 3 YEARS.

	1916	1915	1914
Bonds for new construction	$57,031,000	$78,624,000	$238,377,000
Stock for new construction	7,070,000	12,911,000	64,854,000
Total for new construction	$64,101,000	$91,535,000	$303,231,000
Bonds for refunding	$231,698,000	$247,031,000	$106,607,000
Stock exch. for other issues	154,116,000	354,917,000	281,162,000
Total	$385,814,000	$601,948,000	$387,769,000
Grand total	$449,915,000	$693,483,000	$691,000,000

* Compiled from N. Y. Stock Exchange Listings by Bureau Railway Statistics.

4 cents, and betterments, which required 2 cents, leaving barely 5 cents for dividend and surplus accounts, it will be seen what havoc the higher costs of labor, fuel and supplies caused in 1916 and is certain to again in 1917. And so regarded, it is no wonder that the stocks of the railroads do not occupy a better position in the estimates of investors. It is no wonder that there

TABLE II

SHOWING HOW NEAR TO 1914 PRICES TEN RAILS ARE CURRENTLY SELLING DESPITE LARGER EARNINGS

ROAD	Est'd Earnings P. C. in 1917	Present Market Price	Earnings in 1914	Prices, July 30, 1914
Atchison	19.75%	103	7.39%	92⅞
Balt. & Ohio.	7.40%	76¼	4.35%	74¼
St. Paul	7.25%	82⅝	6.37%	91
Erie	4.25%	26¾	——	22¾
Gt. Northern.	9.40%	113⅞	8.85%	116
Ill. Central...	14.75%	102	7.45%	108⅞
N. Y. Central.	17.50%	95	3.75%	82
Penn.	10.50%	53⅝	6.83%	54
Sou. Pacific...	14.00%	94¼	7.79%	89
Un. Pacific...	18.60%	137⅞	13.09%	118⅞

was no pronounced response marketwise to the news that net earnings had exceeded the billion dollar mark by a nearly $200,000,000 margin.

Costs and Other Factors

But high costs have not been the only factor. There are several others, among which may be named, lack of confidence which had its root in the bad years prior to 1915; the selling of securities by Europe; the conflict between Federal and state regulation; and, labor troubles. The first-named, lack of confidence, it may be reasonably supposed, will disappear gradually with the adjustment of the issues concerning rate regulation and labor. The selling of railroad and other securities for European account has been greatly minimized as a factor in depressing the current quotations of securities on this side of the Atlantic. This leaves but two underlying adverse factors, labor and regulation, and the matter of labor seems to have been removed, temporarily, at least, by the decision of the Supreme Court that the Adamson, so-called Eight-Hour Law is constitutional, a decision which insures to the 400,000 men in the four railroad brotherhoods the $52,000,000 or more of added compensation which they sought. Incidentally, though the men gained their point against the railroads, the latter will probably be permitted an increase in freight rates. That stands out as the logical sequence.

The fourth fundamental factor, that of regulation, has been a menacing problem for a long time and it probably will continue to be indefinitely, if the attitude of the various state commissions towards each other and toward the Federal commission can be accepted as a criterion. The existence of so many state commissions and their participation in the field of railroad regulation has brought into existence numerous conflicting and inconsistent laws many of which clash not only with those of other states, but with the Federal laws. This, in turn, has given rise to a state of affairs which constitute just ground for complaint on the part of the railroads. The latter are not complaining against the principle of regulation. They recognize that regulation has its useful sphere and that it has come to stay, but what they do complain of is the constant conflict between existing laws; a situation that was bound to come about when 48 regulating commissions, each, on its own account, proceeded to regulate rates and dictate practices. As long as this is allowed to continue, the railroads can hardly be expected to prosecute their development work. What is needed, of course, is a harmonization of those laws and the only apparent way that this desired state of affairs can be brought about is the placing of the railroads under the sole jurisdiction of a Federal commission, supplemented by regional bodies in order that the particular needs of a particular section may be best considered.

More Equitable Conditions

The whole question of whether the railroads are cheap seems to be de-

pendent upon whether or not the railroads will be allowed, sooner or later, to operate under more equitable conditions than have existed till now, under a system of state and Federal regulation of rates, and whether the railroads will be allowed to earn enough to attract the capital they need in order to keep pace with the ever-growing demand for the only commodity they have to offer—transportation. The difficulty the railroads have had of late in attracting new capital is shown in an accompanying table. It will be noticed what a poor showing 1916, with its $64,101,000 of new money obtained, makes with 1914, when $303,231,000 came into the coffers. The recent failure of New York Central financing is still fresh in mind.

Conclusion

There is no doubt in the minds of thinking men that the value of railroad physical property as it exists today is much in excess of the values accorded in the current market prices of the securities of those railroads. And it does not seem unreasonable to entertain the hope that the country will realize, if it has not already begun to do so, that it will be to its best interest, as well as to that of the railroads themselves, to adopt a policy toward the latter that will allow the latter to earn a return sufficient to impel necessary new capital toward them.

"Points Against Stock Transfer Tax Bill"

Is contrary to the spirit of the constitution in that it is class legislation.

Tax is discriminative and unjust.

Never in all history, save in time of war, has such an unjust and inequitable tax been imposed.

There is no more reason for a tax on sales of stock than upon anything else.

TAX IS INEQUITABLE, BURDENSOME AND ONEROUS, INASMUCH AS IT BEARS HEAVILY UPON A LIMITED NUMBER OF INDIVIDUALS, INSTEAD OF BEING DISTRIBUTED EQUALLY AMONG ALL CITIZENS.

If the business of trading in Stocks, Grain, Cotton, Coffee, Dry Goods, etc., etc., is unlawful, prohibit it; if it is lawful those engaged in the business are entitled to equal consideration, together with other businesses.

The room trader is an essential part of the membership of any Exchange. Eliminate the room trader and the fluctuations would be so wide that the investor or seller of stock would suffer serious loss.

The room trader is the balance wheel of the market. Without him the execution of commission orders would be impossible, except at great sacrifice.

It is a tax on business, not on property.

This tax would affect adversely every one in New York State, as New York City with less than one-third of the population of the State pays 70% of all the direct taxes of the entire State, which it could not do if its business were curtailed or hampered.

No such tax is levied on Cotton, Grain, Coffee, Metals, Dry Goods, etc.

Would reduce the volume of business very materially, and not produce the amount of revenue expected.

Would drive business to markets in other cities outside of New York State.

It will result in the throwing out of employment tens of thousands of employes in New York City and throughout the State.

Would reduce values of securities as the market for them would be narrowed and negotiability interfered with. (Negotiability promotes value.)

It is cumulative taxation.

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor.*

RAILROADS

Alabama Great Southern.—Reports February gross of $448,336, against $430,159 in 1916, and a net after taxes of $78,624, against $107,798 last year. Regular dividends of 5% a year have been paid since 1911, and the present rate includes an extra payment of 2%. Current earnings are at the annual rate of nearly 19% onthe outstanding shares.

Atlantic Coast Line.—Reports February gross of $3,790,315, against $3,348,308 in 1916 and net after taxes of $1,420,806, against $1,202,044 last year.

Atchison, Topeka & Santa Fe.—February's gain of $947,465 in gross, or 8.9%, compared with the corresponding period last year, brought the average monthly increase for the eight months to slightly over $1,-800,000. In the eight months ending February 29, Atchison earned about 10.1% on the $218,854,000 common stock now outstanding. This estimate is determined on the company's statement for the eight months, with other income and interest charges based on the figures for the last fiscal year. And for the 12 months' period, a conservative estimate indicates a rate earned on the common stock of 15.1%.

Baltimore & Ohio.—Arrangements are bemade by this company to put out $10,000,-000 of equipment trusts. Reports February gross of $8,665,656, against $8,325,177 in 1916, and net of $1,824,190, against $1,936,-638 last year.

Boston & Lowell.—Has voted in favor of the Boston & Maine reorganization plan. The plan goes to stockholders for consideration at a special meeting.

Boston & Maine.—Reports February gross of $4,001,883, against $4,023,019 in 1916, and net after taxes of $242,648. Deficit after charges is $661,342, against a surplus of $9,193 last year.

Buffalo & Susquehanna.—Reports for the year 1916 total income amounting to $899,-462 after deducting operating expenses, taxes, etc., an increase of $210,719 over preceding year. Surplus, after charges, amounts to $608,551, an increase of $225,829 over 1915. Allowing for 4% dividends on the preferred stock, the amount applicable to the common stock is equivalent to 14.95% on $3,000,000 common stock outstanding.

Buffalo, Rochester & Pittsburgh.—Earnings, February, shows gross, $870,450, against $951,794 last year; net after taxes, $138,882, against $256,999 last year; surplus after charges, $74,311, against $184,978 last year. Shows income account, January to February 28: Gross, $1,905,459, against $1,-945,596 last year; net after taxes, $306,763, against $497,737 last year; surplus after charges, $180,488, against $359,100 last year.

Central of Georgia.—Reports February gross of $1,133,566, against $1,006,964 in 1916, and net after taxes of $235,776.

Chicago & North Western.—Placed an order with the American Car & Foundry Co. for 2,000 steel under-frame gondola cars, to cost over $4,000,000. Balance sheet, as of Dec. 31, 1916, showed profit and loss surplus of $47,941,323. Company's 1916 net income of $20,368,924 is equal to 13.34% on $152,577,-149 preferred and common stocks outstanding, as compared with 9.63% earned on the same amount of stock in 1915. The Illinois P. U. Comm. authorized this company to issue $1,000,000 equipment trust gold certificates under its trust agreement and an additional $900,000. The company will issue $4,250,000 for the purchase of 77 locomotimes, 1,000 gondolas and 500 wooden box cars. The additional $900,000 is for 20 class "J" Mikado locomotives to cost $45,000 each. Of the $10,000,000 equipment trusts of 1913, $4,000,000 had been issued to June 30, 1916, leaving $6,000,000 still to be used for equipment obligations.

Chicago, Rock Island & Pacific.—Judge Hough, in the Federal District Court, issued an order granting authority to Jacob M. Dickinson, receiver for this company, to make payments amounting to more than $3,000,000, of which the largest item was $1,898,820 for interest on the refunding mortgage bond issue. The receiver was also authorized to renew the Central Trust Co.'s loan of $2,500,000, and also to renew series "A" of the certificates issued by him on April 30, 1916, and series "B," which were due March 16, 1917.

Chicago, St. Paul, Minneapolis & Omaha.—Balance sheet, as of Dec. 31, 1916, showed profit and loss surplus of $91,014. Reports February gross of $1,272,903, against $1,-488,460 in 1916, and net after taxes of $98,-362, against $344,332 last year. Company's 1916 net income of $3,714,976 is equal to 12.45% on $29,818,946 preferred and common stocks outstanding.

Cincinnati, Hamilton & Dayton.—Receivers Judson Harmon and Rufus B. Smith filed a report in United States District Court in the foreclosure proceedings of the Bank-

ers' Trust Co. vs. the Cincinnati, Hamilton & Dayton Ry., setting forth the Central Trust Co. of New York as trustee of $11,-557,000 in purchase money collateral trust 4% gold notes of the Cincinnati, Hamilton & Dayton Ry. had given notice it would sell at auction, through Adrian H. Muller & Son, New York, auctioneers, $13,000,000 face amount first and refunding mortgage 4% gold bonds of the C., H. & D., which were given as security for the issue of the purchase money notes.

Cleveland, Southwestern & Columbus.—Ohio Utilities Comm. authorized this company to issue its first consolidated mortgage 20-year 5% bonds to the amount of $201,-836. The proceeds from this issue are to be used to reimburse the treasury for moneys not secured by the issue of stock, bonds or notes, and other evidence of indebtedness for the period Jan. 1, 1915, to Aug. 31, 1916.

Colorado & Southern.—Reports February gross of $1,323,204, against $1,236,320 in 1916, and net after taxes of $436,813, against $405,-069 last year.

Cuba R. R.—Reports January gross of $761,119, against $691,480 in 1916, and a surplus after charges of $115,951, against $318,-176 last year.

Delaware, Lackawanna & Western.—Reports February gross of $3,966,725, against $3,873,897 in 1916, and a net after taxes of $1,122,622, against $1,306,199 last year.

Duluth & Iron Range.—Income account year ended Dec. 31, 1916, shows gross revenues, $3,384,380, an increase of $392,107. Surplus, after charges, amounts to $2,642,711, equivalent to 40.65% on the $6,500,000 capital stock, compared with 31.17% in 1915.

Fitchburg R. R.—Voted in favor of the Boston & Maine R. R. reorganization plan, the action being similar to that taken by the Concord & Montreal directors. This leaves further consideration of the plan for stockholders.

Georgia Southern & Florida.—Reports February gross of $231,149, against $218,757 in 1916, and a net after taxes of $48,577, against $45,684 last year.

Grand Trunk.—The I. C. C. has handed down a decision permitting this company to retain possession and operate its boat lines on the Great Lakes. The lines will be required to file tariffs with the commission like other common carriers.

Illinois Central.—Reports February gross of $6,229,685, against $5,871,545 in 1916, and net after taxes of $1,396,661, against $1,-218,290 last year.

Lehigh Valley.—Reports February gross of $3,304,753, against $3,479,848 in 1916, and net after taxes of $60,872, against $716,710 last year.

Mobile & Ohio.—Reports February gross of $916,399, against $886,334 in 1916, and net after taxes of $148,918, against $179,952 last year.

Norfolk & Western.—Income account for year ending Dec. 31, 1916, shows: Gross $59,449,981; net, $26,160,572; surplus after charges, $21,800,073; balance after dividends, $20,880,401. Has let contract for its new freight depot at Roanoke, Va. It was stated it would cost $180,000, but, including all improvements, the amount would be $380,-000. Its six months' report ended Dec. 31 shows a surplus for the common stock of $10,336,739, equal to 8.7% on $119,175,400 common stock outstanding Dec. 31. Surplus for the common stock in the calendar year 1916 was $20,880,401, equal to 17.5% on the common stock.

Northern Pacific.—Report February gross of $5,430,116, against $4,963,512 in 1916 and net after taxes of $1,555,732, against $1,505,-779 last year. Income account, six months ended Dec. 31, 1916, shows gross revenues, $43,742,765, against $39,400,653 last year; operating income, $18,572,801, against $17,533,-810 last year; other income, $4,060,193, against $3,826,707 last year; surplus after charges and dividends, $7,300,222, against $6,082,084 last year. Balance sheet, as of Dec. 31, 1916, showed profit and loss surplus of $98,603,198. Report year, Dec. 31, shows that, earning 10.8% upon its $248,000,000 stock, the company was able to add $9,588,-011 to profit and loss account, compared with $6,288,150 the year before.

New York Central.—Reports February gross of $13,633,817, against $15,231,375 in 1916, and net after taxes, $948,213; deficit after charges, $1,319,266.

New York, New Haven & Hartford.—Undoubtedly paid 7% or more for the money raised by the sale of $45,000,000 one-year 5% notes. The price to the public is 99.04, at which the notes return 6%. Bankers and underwriting commissions undoubtedly bring cost of the new money to a bit over 7%.

New York, Ontario & Western.—Reports February gross of $563,108, against $678,143 in 1916, and net after taxes, $80,438; deficit after charges, $11,569.

Pennsylvania R. R.—Elisha Lee, assistant general manager, has been appointed general manager of the Pennsylvania lines east of Pittsburgh and Erie, effective April 1. He succeeds S. C. Long, deceased. The annual wage increase on the Pennsylvania system on account of the agreement with the brotherhoods would amount to approximately $18,000,000, of which about $12,000,-000 will be borne by the lines east of Pittsburgh and $6,000,000 by the lines west.

Western Maryland.—Has listed the Western Maryland new common stock (abbreviation, W. M. N.), also its second preferred stock.

American Graphophone.—The New York Curb Market Association listed 75,000 shares of common and 25,000 shares of preferred stock of this company. Par value $100.

American Locomotive.—Has taken orders for fifty 121-ton Mikado engines for the Chicago North Western, and eight 97-ton Mallet engines for the South African Rys.

American Malting.—The reorganization department of the Guaranty Trust Co. was ready to deliver American Malting Co. common and preferred stock in exchange for its certificates of deposit representing preferred and common stock of the American Malt Corp. The New York Stock Exchange received application to list $8,559,000 first preferred and $5,762,300 of this company's common stock.

American Shipbuilding.—Declared a dividend of 1½% on the common stock. This is the first declaration since 1911.

American Smelting & Refining. — Company's record 1916 earnings of $29.75 per share on the $54,299,000 common stock outstanding Dec. 31, 1916, in all probability, will be surpassed by those of 1917. The earnings of 1916 would have been equivalent to $32.24 per share on $50,108,000, the amount outstanding Dec. 31, 1915, in which year earnings were $16.80 per share, surpassing the previous record of $13.91 made in 1907. These earnings compare with an average rate of $9.99 per share on $50.000,000 common stock since the company began operations.

American Sugar Refining.—Advanced the price of granulated 25 points to 7.25 cents.

American Woolen. — Received an order from the United States Government for $1,500,000 worth of overcoatings for the army. It calls for 425,000 yards of the highest grade melton at $3.54 a yard, with final delivery five months from the date of the order.

American Writing Paper.—Is practically certain to exceed in 1917 the performance of 1916, when a balance of 20% was earned for the $12,500,000 preferred stock. The expectation is that the company can reasonably count upon net profits for the stock after all charges of $3,500,000. This would be equal to 28% on the preferred.

Bethlehem Steel.—For the two months the company showed net profits of approximately $11,000,000, or at the rate of $66,000,000 a year. This was at the rate of $110 a share per year on the new stock.

Burns Bros.—Filed notice at Trenton, N. J., of an increase in capital from $7,500,000 to $12,000,000. Of the total $10,000,000 is common and the remainder preferred.

Central Leather.—Declared the regular quarterly dividend of $1.25 a share on the common stock, payable May 1 to stock of record April 10. This company is the leading factor among a group of tanners understood to have closed or to be on the verge of closing a contract for about 750,000 sides of sole leather for Russia. This is the largest single contract yet placed for sole leather in the United States and aggregates between $11,000,000 and $12,000,000 in value.

Corn Products Refining.—Declared a dividend of 5% on account of accumulations on the preferred stock. The regular quarterly dividend of 1¾% on the preferred stock also was declared. The dividends are payable April 16 to stock of record April 4. Three months previously the company started paying off accumulated preferred dividends with a declaration of 5%. It still has 9¼ preferred accumulations to pay off.

Distillers' Securities.—Declared an annual dividend of 2%, compared with a previous rate of 6%. It is payable quarterly on April 18, July 18, Oct. 18 and Jan. 18. In its six months to Dec. 31 Distillers' Securities earned a balance for its $32,282,000 stock of $1,324,593, equal to 4.1%, or at an annual rate of 8.2%. This compared with share profits in the fiscal year to June 30, 1916, of 10.3%. Vice-Chancellor Lane filed an opinion in the Court of Chancery enjoining the dissolution of the Distilling Co. of America. The complaint was filed by Joseph H. Allen and the U. S. Industrial Alcohol Co. The court held that dissolution of the company would amount to turning over the assets of the company, valued at about $66,000,000, to the Distillers' Securities Corp.

Emerson Phonograph.—The F. W. Woolworth Co. is now absorbing nearly half the Emerson company's output of 6-inch records and other large chain stores an additional heavy percentage in the aggregate, but the bulk of the company's business is in the 25c. record, through all kinds of jobbing and retail stores. Sales continue to run far ahead of production. At the annual meeting the same directors were elected for the ensuing year.

International Paper.—In its final year to Dec. 31, 1916, is understood to have earned approximately $18 per share for its $17,442,800 common stock after deducting the entire 6% preferred dividend. In 1915 the company disclosed but 5.44% for its preferred, and even in the good year of 1906 profits for the preferred ran up to but 8.86%. Shareholders authorized the refunding mortgage and authorized the directors at their discretion to act on the preferred stock dividend payment plan.

Lee Rubber & Tire.—John J. Watson, Jr., in answer to an inquiry by a stockholder, said that the output of the company was running at the rate of 30,000 tires per month. This would mean an annual output of between 350,000 and 400,000 tires for 1917, compared with 225,000 in 1916.

May Department Stores.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $5,159,706, compared with $3,073,-660 Dec. 31, 1915.

Midvale Steel & Ordnance.—The New York Stock Exchange admitted to the list $100,000,000 of this company's capital stock.

National Lead.—Reports for the year ended Dec. 31, 1916, net earnings amounting to $2,977,699, an increase of $267,173 over the previous year. Deducting from net earnings preferred dividends totaling $1,705,-732, the balance is equal to 6.15% on $20,-655,400 common stock, compared with 4.86% earned on same stock in 1915.

National Enameling & Stamping.—Company earned during January and February, 1917, at the average rate of about 25% on its common stock, as compared with 11.6% earned on the common for the year ended Dec. 31, 1916.

Peerless Truck & Motor.—Report, year ended Dec. 31, 1916, shows net profits of $1,358,810 after allowing for full year's interest on the $5,000,000 notes outstanding, and after charging off $550,637 as a net loss on munitions and special foreign contracts of the General Vehicle Co. Balance of $1,-358,810, after deducting $2,453 for preferred dividends on stock of Peerless Motor Car Co. outstanding is equivalent to 13.56% on the $10,000,000 capital stock, or $6.78 per share, par value $50.

Railway Steel Spring Co.—Report for the 1916 year showed gross of $14,086,499, an increase of $7,042,542 over the $7,043,957 gross turned out in 1915, or a gain of nearly 100%. The 13.07% earned on the common in 1916 compares with 3.09% earned in 1915, but net earnings of $4,022,590 included a depreciation charge of $1,000,000, against $650,000 charged off in previous years. This difference is equal to more than 4% on the common. An extra reserve of $1,000,000 was deducted for improvements, betterments and retirement of outstanding bonds. This charge was equal to more than 7% on the common stock.

Sloss-Sheffield.—Waddill Catchings, former president of the Central Foundry Co., and more recently with J. P. Morgan' & Co., had been elected president of this company, succeeding James N. Wallace, who recently was chosen temporary president. Report, quarter ended Feb. 28, 1917, shows net operating profits amounting to $734,498. Surplus, after deducting $52,500 bond interest, $24,000 accrued taxes and $117,250 preferred dividend, amounts to $540,748, equivalent to $5.40 a share on the common stock. This is at the rate of $21.60 a year. Profits of $5.40 a share reported on its common stock for the first quarter of the current fiscal year were made on deliveries of pig iron averaging about $10 a ton less than prices received on more recent sales. The company has withdrawn temporarily from the market as a seller of pig iron. Reports that Sloss-Sheffield has been successful in its search for oil on its properties are premature, as drilling operations have not been started.

Stewart-Warner Speedometer.—The largest manufacturer of automobile accessories in the United States, has added two more products to its line of motor car equipment. These two new Stewart products are known as the Stewart V-Ray Searchlight and Stewart Autoguard. These products are a new type of searchlight (commonly known as "spotlight") and an original design of autoguard, or "bumper," as the latter is generally termed. Arrangements have been made for quantity production of these new Stewart products in anticipation of a large demand.

Swift & Co.—Although it was only three months since this company paid an extra dividend of 33⅓%, there is a strong rumor that another melon is in prospect for spring. Swift in its 1916 fiscal year to Sept. 30 earned slightly more than $27 a share on $75,000,000 stock. Profits in the first six months of the current fiscal year are known to have been very much ahead of the same period a year ago, and on the $100,000,000 stock it is estimated the company is earning at the rate of over $30 a share.

Underwood Typewriter.—Has listed $500,-000 additional common stock, making the authorized amount to be listed $9,000,000.

Union Bag & Paper.—1917 balance after charges of $1,582,792 is equal to 16.89% on $9,367,487 capital stock outstanding. Balance sheet, as of Jan. 31, 1917, shows a profit and loss surplus of $1,232,792, compared with Union Bag & Paper Co. surplus of $1,661,380 Jan. 31, 1916.

United Cigar Stores.—Annual report, year ended Dec. 31, 1916, shows dividends and interest received $2,892,072, against $2,404,-470 last year; surplus after dividends $673,-842, against $322,050 last year. Balance sheet, as of Dec. 31, 1916, showed profit and loss of $2,739,334, against $2,065,492 last year.

Youngstown Sheet & Tube Co.—Andrews & Hitchcock Iron Co. and the Western Conduit Co., subsidiaries of this company, are being dissolved and merged by the parent corporation. The former company operates two blast furnaces in the Youngstown district and the latter electrical equipment. Company acquired a 30% interest in the Bennett Mining Co., holding valuable iron ore rights on the Mesaba range. The corporation thereby added several million tons of ore to its reserves. The corporation is now interested in the Crete, Seneca, Volunteer, Balkan, Mahoning and Bennett mines. Its annual ore consumption is substantially over 2,000,000 tons at its six furnaces in this district.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth, as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Railroads	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Colorado Sou. 1st pfd........	$4	7.2%	34.72	27.04	17.64	19.59	4.77	6.52	25.32	55	46.00%	Earnings show slight increase.
Southern Ry. pfd............	0	0.0	9.59	11.12	11.27	11.79	8.07	2.76	15.56	58	26.82	Feb. gross normal.
Erie 1st pfd..................	0	0.0	10.60	8.46	5.85	13.95	0.33	12.56	9.56	40	23.90	Recent note issue over subscribed.
P. C. C. & St. L. com.........	5	6.7	5.36	4.91	7.12	.....	0.89	9.38	14.25	74	19.25	Large gain in surplus over 1915.
Chesapeake & Ohio...........	4	6.7	10.02	5.06	6.80	5.25	4.73	4.25	10.95	59	18.55	New coal properties developed.
New York Central............	5	5.2	6.41	6.87	6.23	5.87	3.75	11.10	17.19	96	17.90	Earnings for 1917 show slight falling off.
Buff., Roch. & Pitts. com.....	6	6.8	11.11	12.85	13.43	16.82	9.47	5.26	15.28	88	17.36	Recent net earnings show falling off.
Louisville & Nashville........	7	5.3	17.35	14.26	15.93	11.64	9.22	6.75	19.38	131	14.79	Physical improvements planned.
Minn., St. Paul & S. S. com..	7	6.3	14.09	5.86	11.17	14.62	7.55	7.86	16.32	111	14.70	Jan. earnings slight decrease.
St. Louis S. W. pfd..........	0	0.0	4.10	6.11	8.14	9.49	1.69	—1.40	6.37	44	14.47	Jan. earnings show good increase.
Kansas City So. com..........	0	0.0	2.17	2.74	0.15	2.68	2.95	1.00	2.97	22	13.50	Feb. earnings large increase.
Norfolk & Western com......	7	5.2	11.79	8.93	9.88	10.17	8.68	8.77	17.34	133	13.03	New pension system for employees.
Atchison R. R. com..........	6	5.7	8.99	9.30	8.19	8.62	7.39	9.18	12.30	104	11.82	Earnings show steady increase.
Chicago Great Western pfd...	2	5.9	0.88	1.87	0.45	3.03	1.98	1.92	4.02	34	11.81	Recent earnings show slight decrease.
Southern Pacific	6	6.3	12.99	9.56	7.92	9.85	7.50	7.20	10.98	95	11.55	Earnings continue above normal.
Union Pacific com............	8	5.8	19.16	16.61	13.88	15.14	13.10	10.98	15.65	138	11.34	Recent decrease in earnings. Extra dividends.
Canadian Pacific	10	6.2	16.00	17.28	19.62	19.56	13.63	11.27	17.53	161	10.89	Large increase in share holders.
Reading Co., $50, com........	4	4.1	5.38	3.33	3.41	8.43	4.03	4.18	10.16	96	10.58	Recent earnings slightly lower than 1916.
Pennsylvania R. R., $50......	3	5.6	4.64	4.32	4.68	4.43	3.41	4.25	5.50	53	10.37	1917 earnings show slight decrease.
Illinois Cent.	6	5.7	7.16	10.20	3.12	6.02	7.40	6.29	10.80	105	10.28	Feb. gross shows increase.
Chicago North West. com.....	7	6.0	9.34	8.48	7.09	9.55	7.58	7.28	11.39	115	9.90	First two months 1917 earnings decrease.
Northern Pacific R. R.........	7	6.6	8.99	8.24	7.93	8.69	7.93	7.59	10.37	105	9.87	Feb. gross showed increase over $500,000.
Atlantic Coast Line..........	7	6.0	11.98	12.93	11.92	11.48	10.68	6.26	11.23	115	9.80	First two months 1917 slight increase.
Great Northern pfd...........	7	6.1	8.47	8.34	10.31	11.69	8.85	8.27	11.06	114	9.70	Electrification plans underway.
Lehigh Valley, $50...........	5	7.5	9.02	6.20	5.34	7.23	5.83	5.22	6.33	66	9.59	Transportation cost very heavy.
Baltimore & Ohio com........	5	6.4	8.86	6.89	7.58	7.22	4.50	5.49	7.41	78	9.50	New equipment trust to be put out.
Chicago, Mil. & St. Paul com.	5	6.1	9.11	7.11	1.19	8.64	6.33	3.28	7.33	81	9.05	1917 earnings continue about the same.
Delaware, Lack. & West., $50.	10	4.4	17.71	16.90	16.58	13.36	14.13	12.96	19.15	225	8.51	Gross earnings 1916 largest in history of Co.
N. Y., New Haven & H. R. R.	0	0.0	8.86	6.25	7.45	4.96	0.15	1.47	2.75	44	6.25	Recent earnings a trifle better.
Seaboard Air Line pfd.......	0	0.0	6.82	6.40	2.37	6.14	5.72	1.43	0.44	32	1.37	Jan. net shows good increase.
Delaware & Hudson..........	9	6.5	12.54	12.32	12.95	14.53	10.84	14.28	.....	139	10.28	Earnings about as usual.

Companies which have not yet reported their 1916 earnings are listed following companies which have reported such earnings.

Railroad and Industrial Inquiries

Wisconsin Central

T. C. B., Norfolk, Va.—Wisconsin Central's indicated earnings on the basis of seven months results to January 31 are at the rate of 12.44% on the common stock against 9.97% earned in the last fiscal year, a deficit in 1915 and 0.42% in 1914. The actual earnings for seven months were 7.61%. Gross revenue for the seven months has shown very little variation, averaging about $1,100,000 monthly. Operating income, however, has shown a more or less steady decline from $520,976 in August, which was the high month, to $272,018 in December, when gross for the first time in the current fiscal year dropped below $1,000,000, being $951,367, against about the same amount in 1915. The operating income of $276,418 for December compared with $319,582 for December, 1915. In January the gross was $1,054,783 against $924,202 in 1915 and operating income $356,863 against $218,788. The decline in earnings in December resulted from freight tieups due to inclement weather. This freight was worked off in January but the road again in February encountered bad weather and freight delays and the latest dispatches from Minneapolis say that one and perhaps two weeks in March so far may show up unfavorably.

The ratio of expenses to gross of the Wisconsin Central in 1916 was 56.7% against 67.9% in 1915 and 67.5% in 1914, 66.2% in 1913. Freight revenue was $9,308,075 in 1916 against $7,237,915 in 1915 and total operating revenue $12,205,239 against $9,945,370; total operating expenses $6,920,750 against $6,751,780. The balance sheet as of June 30, 1916, showed working assets of $2,463,476 (not including company's own securities owned) against $1,632,148 in the previous year as compared with working and accrued liabilities of $897,117 against $720,843.

New Haven

L. H., Hartford, Conn.—A receivership in the case of New Haven is not imminent. The writer of the article you referred to stated that a receivership was a possibility, but we hardly think he regarded that possibility as a near future one. The most likely possibility in the case of New Haven is not a receivership but a readjustment of capital in some way, or new financing. Any new financing would doubtless remove the time still further when dividends could be expected to be resumed on the stock. There may be an issue of preferred stock to provide the company with funds to make necessary improvements, etc. We do not think you need be alarmed as to the possibility of a receivership, therefore, at least such a receivership as would wipe out you equities in the stock. You do not mention the price paid for the stock. Unless we knew that we would not be in a position to make a suggestion as to what you ought to do now.

However, in a general way, would say that we rather expect New Haven to hold around its present level or go higher for the time being, but eventually is quite probable that the stock will sell below its previous low level.

Denver & Rio Grande Pfd.

M. S., Marion, Ohio.—Denver & Rio Grande is now earning at the rate of slightly over 7% per annum for its stock. This compares very favorably with the showing for 1915, when 7.66% was earned for the preferred stock. It now looks as though the road's good showing for the past two years or more has definitely avoided receivership which was considered probable at one time. However, the company is not in a position to afford much encouragement to stockholders so far as dividends are concerned. It will probably be a very long pull if favorable results continue to be shown, before the road will be in a position to justify the resumption of dividends.

Atlantic Gulf & West Indies

R. L. C., Franklin, Mass.—Atlantic Gulf & West Indies' latest report for the year ended December 31, 1916, was disappointing, notwithstanding the fact that the earnings were equal to practically 50% on the common stock, after allowing for preferred dividends. The expectation had been that report would show nearer to 75% earned. The company is now in a strong position, however, and unless the United States government commandeers its ships, it bids fair to go along making big money, war or no war. The fly in the ointment, however, is the possibility of the government taking over the ships for transport service, etc. Owing to this uncertainty and owing to the general uncertainties in the market situation, we do not suggest the purchase of the stock now.

Midvale Steel

K. M. B., Wheeling, W. Va.—Midvale Steel is an issue which we do not favor. The mere fact that the stock is selling at such a high yield basis indicates doubt as to the future. The dividend of $6.00 a share per annum which has been inaugurated is by no means certain to be a permanent one. The company's business is almost altogether war order business and its profits are abnormal in the bargain because of the extraordinary high prices obtained. Midvale Steel certainly cannot be considered an investment under the circumstances. It has some speculative possibilities, particularly if this country is involved in the war and calls on the Midvale Steel Company for ordnance, etc., but on the whole we consider it risky to purchase the stock and do not suggest your doing so. If you are a holder, we recommend that you place a stop loss order on it and wait your opportunity to liquidate on a good rally, unless there is some definite change in the situation which is favorable to the company.

Co-operating With Your Broker

Transfer of Stock—Safeguarding Against Unreliable Firms —Why Delay Is Sometimes Unavoidable— Meaning of Transfer

By LAWRENCE S. RENZER

Part 4—Transfer of Stock

"GENTLEMEN: About three weeks ago I purchased 200 shares of Green Monster Mining stock through Messrs. Brown & Jones, and sent them a check to pay for the stock in full. I asked them to transfer it to my name and send it to me. I have written to them twice and all the reply I get is that the stock is in transfer. I am afraid that something must be wrong and I am quite worried. Are they responsible people and can you tell me why I should have to wait so long?"

(Signed) JOHN SMITH.

The above letter denotes two things: The first that the writer has not investigated the brokerage firm sufficiently to have confidence and the second that he knows little about the conditions relating to the transfer of stock. The subject is a large one and has a multitude of side details which need not be a part of the knowledge of the investor, but the investor should know the fundamental principles of transferring stock and the various reasons which cause delays and trouble. In addition to this, there are safe plans for the investor, living at a distance from his broker, to follow. It is the purpose here to instruct in such fundamentals and offer a suggestion or two for safeguarding against an unreliable firm or an over-sensitive imagination.

The Form in Use

The purchase of shares of stock outright makes the purchaser a partner in the corporation and, both for the new owner's protection and the safeguarding of dividends, his shares should be registered in his name, both on the certificate representing ownership and on the company's books. When the stock is purchased it reaches the broker in a former owner's name. On the back of the certificate appears the following form:

For value received.............hereby sell and transfer unto.........................(1) ....Shares of the Capital Stock represented by the within certificate, and do hereby irrevocably appoint and constitute (2).....................Attorney to transfer the said stock on the Books of the within named Corporation, with full power of substitution in the premises.

Dated ....

In the presence of (3)................. ....

The certificate, when it reaches the broker has been signed by the former owner in space (3), also duly dated and witnessed. Everything else is left blank. The investor has instructed the broker to make the stock out in his, the investor's name, so the broker's clerk fills in on line (1) "John Smith, 123 Adams St., Chicago, Ill.," and sends it to the transfer office. The transfer agent of the corporation then issues a new certificate to John Smith. Line (2) in the above form is filled in by the transfer agent of the corporation when actual transfer is made, but this granting of attorneyship is used also to make the stock non-negotiable, as, for example, when sending through the mails. The customer owning and selling the stock may desire to send it to New York from Michigan. He does not know to whom the stock has been sold, so he simply gives his broker attorneyship to make the transfer, by filling in on line (2) "Brown & Jones." When Brown & Jones receive the certificate they in turn stamp on the back another attorney form and sign in blank, so that the next buyer or the transfer agent can be attorney at the actual moment of transfer.

The Business Almanac summarizes the care which should be observed in making a transfer. If the name is filled in wrong on line (1) there is endless red tape necessary to undo the error. It is always safe for the inexperienced to have a broker or bank do the transferring, and where legal papers are necessary, novice attempts are disastrous:

"Transfer agents often insist upon being satisfied as to the genuineness of the signatures on the back of the stock certificates, especially in cases where the parties to the transaction are unknown to them. In such cases, it may be found necessary to have the signatures attested by a notary, or guaranteed by some bank or brokerage house, with whom the agents have frequent transactions. Any error in the making out of the new certificates, or their loss, should be reported at once to the transfer agent.

"Administrators, trustees, guardians, etc., should use great care in making stock transfers. Such persons should not, of course, have stocks transferred to themselves, as individuals, but to themselves 'as administrators, guardians, trustees, etc.,' as the case may be. Husband and wife should not transfer stock one to the other, except through the transfer agent, unless the laws of the state of their legal residence permit such transfers to be made direct."

IRREVOCABLE STOCK POWER

Know all Men by these Presents,

That I John Smith

For Value Received have bargained, sold, assigned, and transferred, and by these presents do bargain, sell, assign, and transfer unto

Twenty

20 Shares of the Common STOCK of the U.S. Steel Corporation standing in my name on the books of the said Company represented by certificate No. herewith

And I do hereby constitute and appoint Messrs. Brown & Jones my true and lawful Attorney, IRREVOCABLY, for me and in my name and stead but to my use, to sell, assign, transfer, hypothecate, pledge and make over all or any part of the said stock, and for that purpose to make and execute all necessary acts of assignment and transfer thereof, and to substitute one or more persons with like full power, hereby ratifying and confirming all that my said Attorney or their substitute or substitutes shall lawfully do by virtue hereof

In Witness Whereof, I have hereunto set my hand and seal at Helena, Mont. the 10th day of April 1917

Signed, Sealed, and delivered in the presence of

William Green

John Smith

Reasons for Delay

If the firm with which the investor is dealing is a responsible one and is not of the "bucket shop" variety, it desires to expedite the orders for transfer as quickly as possible. But there are various reasons for delays and oftentimes the firms do not instruct the client as clearly as they should regarding such reasons. The following are some of the various reasons for these delays:

1. It is very possible that the transfer books of the corporation may be closed, either for a dividend adjustment or for a meeting of stockholders or directors. Sometimes the books of the transfer department are not open to any change for four or five weeks. The broker will have to hold the stock in his possession until the date for re-opening the books arrive.

2. Sometimes, especially in inactive issues of securities, there is considerable delay in the delivery of the stock by the seller to the purchaser. For example, Commonwealth Ry., Light and Power stock or Advance Rumley bonds, both of which are dealt in "over the counter," and not in a regular market, may be sold by a man in Denver to a New York broker whose customer lives in Florida. The situation with respect to the delay here is quite obvious.

3. It often happens, especially in mining stocks, that there is no transfer office in New York City, but that the actual transfer must be made in San Francisco, or at a mining office in Idaho. These out-of-town transfer offices are notorious for taking their time, and incidentally charging a small amount for each certificate issued, plus registered mail amount, so that the broker very often has to write two or three letters before he can hurry the delivery of the new certificate from the transfer office.

4. In cases of reorganizations or the deposit of stock with holding or protective committees, there is usually always a delay. As a rule there is a stated date set for such operations and so much stock delivered to the transfer office at once that the clerical detail involved prevents quick service.

5. Sometimes it is necessary for the broker to make a double transfer to get the right amounts. Suppose three clients purchased a total of 90 shares of Reading the same day at the same time. The buyer would receive either a 90-share certificate from the seller "through transfer" to his own name, or he might receive a 100-share certificate and give ten shares in change; but, if he accepted the shares through the transfer office to his own name, not wishing to give up the name of his clients, he would be compelled to send the certificate purchased back to the transfer office, filled in on line (1) to all three clients' names denoting the number due each.

Suggestions for Protection

If the client is of a nervous disposition or has cause to safeguard himself in every way, he may pay the broker a portion of the purchase price and instruct the broker to send the certificates of stock to him through some bank, with draft attached for the amount due. When the amount is collected through the customary banking methods, he will be in actual possession of his stock and may transfer it himself. But, being somewhat ignorant of the necessary procedure, he fears to do this; for he may make a serious error in "filling" in the names, so there is suggested another idea in this connection.

Almost everyone who can afford to purchase stock or make an investment has a bank account. All banks, no matter how small, have New York correspondents, either direct or indirect. When the purchase is made of 20 Steel common by Mr. Smith, of Helena, Mont., through Messrs. Brown & Jones, of New York, Mr. Smith has already sent his check or money order for one-third or one-half the sum to the above-named brokers. On receiving notice of the purchase of the stock, Mr. Smith makes his arrangements with the First National Bank of Helena, and writes instructing his New York brokers as follows:

New York City:

Gentlemen: I have received your receipt for $1,000, which I recently sent to you and also notice that you have purchased for my account 20 shares of Steel common at 116, which with your commission amounts to $2,322.50. My bankers are the First National Bank of Helena, Mont., and their New York correspondent is the Sixty-Fourth National Bank. Please deliver the 20 shares of Steel common with bill of sale and tax stamp attached to the customers' security department of the Sixty-Fourth National Bank of New York City, who have been instructed to pay you $1,322.50 for the above-mentioned shares.

JOHN SMITH.

First National Bank,
Helena, Mont.:

Gentlemen: Please instruct your correspondents in New York City, the Sixty-Fourth National Bank, to accept from Messrs. Brown & Jones 20 shares of U. S. Steel common and pay them $1,322.50. You may charge me the above amount in my account with you. Please instruct the Sixty-Fourth National Bank to ship the 20 shares to you for my account by registered mail, in the name of "(Mrs.) Jane O. Smith, 321 Beachwood Place, Helena, Mont." Messrs. Brown & Jones have been instructed to attach the necessary sales ticket and cancelled revenue stamps, and you may

charge me also the necessary amounts incidental to the transfer.

JOHN SMITH.

The Detached Power Method

Another method of protection, not quite so sure in its insurance, is for the client to make a deposit of partial payment as in the former instance, and then send his broker a detached Power of Attorney, as shown in the graphic with this article. The broker is fully protected in case you do not pay the amount due and can go ahead with the transfer at once. When you are assured by your broker, or the transfer office, if you desire ultra protection, that the certificate is really in your name, you may send the balance due and the actual certificate with the detached Power of Attorney may be sent at once. This method is also used by those who desire purchases in their names but desire to leave the stock with the broker for collateral on other purchases.

The Meaning of Transfer

Smith makes the following comment on transfers: "The act of placing a certificate of stock or a registered bond in the name of a new owner" . . . "The new owner of a stock which is in receipt of dividends or of a registered bond upon which interest is paid, should have it transferred into his name before the closing of the transfer books for a dividend or for interest, for the check for the dividend or for interest will be sent to the person in whose name the stock or bond stands."

The bibliography relating to the transfer of securities is very meagre, but investors who desire to learn about the subject in its economic viewpoint can refer to the January 22d, 1916, issue of THE MAGAZINE OF WALL STREET, where the article "Why You Should Transfer Securities to Your Own Name" appeared, or, if the technical instructions as to "how" are desired, the booklet entitled "Rules Governing the Delivery, Registration, and Transfer of Stocks and Bonds" may be used with reliance. Every transfer office has its own rules and regulations in the matter of transfers relating to estates, trustee funds, corporation holdings of other corporations and errors and lost certificates. The banker or broker, acting as an agent, will usually be glad to perform this service for clients, and it is much safer to have transfers effected this way.

Council of National Defense and Advisory Council

Seated, left to right, are: Secretary Houston, Daniels, Baker, Lane and Wilson. Standing, are: Grosvenor B. Clarkson, secretary of the council; Julius Rosenwald, in charge of supplies; Bernard M. Baruch, in charge of raw materials; Daniel Willard, in charge of transportation; Dr. F. H. Martin, medicine and sanitation; Dr. Hollis Godfrey, science and research; Howard Coffin, munitions, and W. S. Gifford, director of the council.

BONDS AND INVESTMENTS

How Shall I Invest My Earnings?

Principles of the Selection of Sound Investments—Various Types of Investments with Concrete Examples

By ALEXANDER B. PARKS

THIS is a question that frequently confronts the average investor. The usual advice, viz., "diversify your investments," is applicable here. It is not the writer's intention to advise the purchase of any particular security, but rather to offer a few suggestions in selecting them.

Stocks or Bonds, Comparison

Stocks and bonds are both securities of corporations, both are dealt in on the exchanges; but there is a great difference between the two. Their value lies in the fact that they promise income to the owner. However, their claims to this income are not at all similar. As a rule, stocks, both common and preferred, yield a larger rate of interest than substantial bonds; however, the greater safety of the bond is a feature to be considered.

The owner of a bond is a creditor of the corporation; that is, he has loaned the issuing company money which is the price of his bond or bonds. Whereas, the owner of the stock certificate has purchased a participating interest in the business. A bond is one of a series of promissory notes secured by mortgage on assets of the issuing company, and is, generally speaking, the safest of investments. A common stock certificate represents a form of partnership interest in a corporation and carries voting power, but dividends are not paid upon same until the interest on the company's bonds and preferred stock is paid. The bondholder receives his income before the stockholder, because he has a prior lien on the earnings.

The word "bond" has no magic attached to it and does not signify that the holder is insured against loss of either principal or interest. On the other hand, the term "stock" should not necessarily imply a speculative and risky investment, as there are many kinds and grades of securities, some *bad* bonds and some *good* stocks.

Formula

In selecting securities, the investor should consider: (1) safety of principal; (2) income; (3) stability of price; (4) marketability; (5) future. As bonds are more likely to conform to these requirements than stocks, we will consider them first.

Bonds

The holder of the bond, as stated before, is a creditor, and simply has the creditor's right to sue and seize such property as is pledged for the loan in case the corporation fails to fulfill its promise. Quite naturally then, the pledged security is a very important point to consider. Such security may be only the good faith of the issuing corporation, as is true in the bonds of the Government, and its many branches, State, County, and Municipal, and also the short time notes of strong and prosperous companies. Generally, the obligations of railroads, industries, mining, oil, and public service corporations are further strengthened by mortgage on the property, income, or other assets of the said enterprise. Ordinarily, the safest of these securities is "First Mortgage" on the company's property. A mortgage on the income or income bond is unsatisfactory because the promise of paying the interest hinges on the com-

pany's "net income." The principal is not always secured.

TABLE I

INVESTMENT BONDS OF UNQUESTIONED SAFETY.

Name	Maturity	Price	Yield
So. Pac. 1st & Ref. 4s	1955	91¾	4.45%
Cen. Leather 5s....	1925	101½	4.80%
Amer. Tel. & Tel. Coll. Tr. 4s.......	1929	91	5.00%
B. & O. 1st Mtge. 4s	1948	92¾	4.40%
Atchinson Gen. 4s..	1995	94¼	4.20%

The convertible bond, one which may be converted into some other security of the issuing company at a certain time and price—common or preferred stock, is a very desirable investment, provided, there are sufficient assets behind it. It has a speculative value in addition to being fully secured. The convertible clause is attached to facilitate ready sale. For the same reason some issues are made "participating," which means that if the profits of the company are large, additional interest will be paid on the bond.

Listed Bonds

For the investor who considers marketability an important feature in bonds, it is well for him to purchase some of the active listed issues, as in these a ready market is assured at all times. Another desirable factor in listed bonds is the ease and many sources from which information may be obtained in regard to them. Any and all publications contain the bid and asked prices, rate of interest, dates of maturity, interest months, and range of prices of listed bonds.

Short Term Issues

The short term security has become very popular and is often a desirable form of investment. They are a temporary method of raising money and are issued when the market for the long term bond is weak, and interest rates are high.

The two chief advantages of this security are: the stability of the price; since the loan is to be paid off in a short time, the price will not decline, at least not to any extent. And in addition, the investor does not have his money tied up for such a length of time and can re-invest possibly at the opportune moment. However, it is well to bear in mind that while short term securities are not so apt to decline as the longer time bond, neither is it probable that they will appreciate. Therefore, we can formulate a rule: purchase the short term security when prices are high and net return low; but choose the bond with a later maturity when prices are low and net return high. While the bond of high yield may be regarded with suspicion, the low yield of a bond does not necessarily imply strength. The yield on the best bonds is not high; however, the cautious investor can put his money in these securities and can feel assured as to maximum safety, moderate yield, marketability, and firmness of price.

TABLE II

SHORT TERM ISSUES WHICH MAY BE CLASSED AS CONSERVATIVE INVESTMENTS

Name	Maturity	Price	Yield
Int. Harvester 5s..	Feb., 1918	100⅝	4.10%
Brk. Rap. Trans. 5s	July, 1918	99¾	5.10%
So. Ry. Col. Tr. 5s	Mar., 1919	98⅞	5.55%
Am. Pow. & Lght 6s	Aug., 1921	101	5.65%
Am. T'l & T'l 4½s	Feb., 1918	100¼	4.40%

Preferred Stocks

Though preferred stocks can never be classed on the same investment plane as bonds, nevertheless many preferred issues have passed out of the speculative class and are to be considered investment material.

Preferred stock is like common, in being a form of partnership in the business. However, it also possesses certain privileges which gives it some preference over the common stock. The chief preference shown preferred is the question of dividends. As was before mentioned, the ownership of this stock gives the holder a share in the dividends before the common shareholders receive theirs. As a rule, it also entitles the holder to share in the assets of the cor-

poration immediately after the bondholders and before the common stockholders in case of liquidation.

TABLE III

FIVE PREFERRED STOCKS AMPLY PROTECTED BY LARGE ASSETS

Name	Rate	Price	Yield
Amer. Tel. & Tel.	8%	126½	6.4%
Atchison	6%	102	5.9%
Balt. & Ohio.......	4%	73	5.5%
Amer. Light & Trac.	6%	113	5.3%
Cons. Gas of N. Y..	7%	119⅛	5.8%

In regard to dividends it is generally the custom to give the preferred stock a rate of interest slightly higher than the current rate, allowing all further profits to be received by the common shareholders. The guaranteeing of the dividend is found in the cumulative preferred, in which stock the dividends become an obligation against the corporation until paid. When a dividend on this stock is "passed" it accumulates from year to year and must be paid before other stocks can receive any share in the surplus. A great many industrials are cumulative, however most railroad stocks are non-cumulative. The cumulative preferred is generally a very desirable form of investment.

The investor in preferred issues should see that his chosen stock sells at about the same price as others of the same class; how it will fare in a liquidation of the company; whether it is cumulative or non-cumulative; and whether it is preferred as to both dividends and assets.

The most desirable preferred stocks are those of railroad and public utility companies, as these are on a more conservative basis and are less liable to violent fluctuations.

Guaranteed Stocks

Guaranteed stocks are those whose interest, or principal, or both, are guaranteed or assumed by a company leasing the industry of the issuing company. Such stocks may be issued by railroads or industrials, the railway issues being the strongest; the industrial's safety depending upon the guarantee and the necessity of the leased company to the company guaranteeing the issue.

Guaranteed stocks of the well established railroads are a very conservative form of investing, being legal investments for savings banks in some states. There are two points to consider in analyzing the safety of such stock; first, the ability to pay in regards the leasing company; and second, the value of the leased line to said company. The average yield of these is about 4½%.

Common Stocks

The common stock, though promising a high yield, is generally of a speculative nature, and is not to be considered from a strictly investment standpoint. In most corporations it is generally arranged that after the interest on the outstanding bonds and preferred stock is paid, all the remaining earnings go to the holders of the common stock. However, in some corporations the preferred stock is "participating," in which event, after the common has received a certain dividend, both issues share alike, that is, the common and preferred get an equal amount of the remaining earnings.

TABLE IV

COMMON STOCKS WITH A HIGH DEGREE OF SAFETY

Name	Div. Rate	Price	Yield
Penn. Ry.	3%	54	5.6%
Amer. Sugar	7%	111	6.3%
Baltimore & Ohio..	5%	75¾	6.6%
American T. & T...	8%	126¼	6.4%
Atchison	6%	102	5.9%

There are a great number of common stocks that do not pay dividends, although the prices on these issues may be comparatively high. These high prices may be attributed to many causes: the expectation of a "melon" or large dividend being declared; the value of the voting power, or getting control of the company. In any event, such stocks are not to be considered.

In buying common stock, ascertain the kind and amount of preferred stock preceding it, whether cumulative or non-cumulative, and the nature of the preference given same.

Investment Offerings

[Under this caption we will publish from time to time a list of what we regard as conservative investment offerings by firms of unquestioned reliability. These securities will be of the type that should interest investors who regard safety of principal as the primary consideration in making their commitments.—Editor.]

THE NEW YORK, NEW HAVEN & HARTFORD RAILROAD COMPANY, $45,000,000 One-Year 5% Collateral Trust Gold Notes, due April 15, 1918. Interest payable April 15 and October 15. Principal and interest payable in New York or Boston. Coupon Notes in denominations of $1,000, $5,000 and $10,000. Registerable as to principal. Redeemable, at the option of the company, in whole or in part, on sixty days' notice, at 101 and accrued interest. Offered subject to prior sale and change in price for subscription at 99.04 and accrued interest from April 15, 1917, yielding 6%. By J. P. Morgan & Co., First National Bank, New York City; National City Company, New York City.

PERE MARQUETTE RAILWAY COMPANY, $6,000,000 First Mortgage Series "A" 5% Gold Bonds, dated July 1, 1916, due July 1, 1956. Redeemable at 105 and interest at any time on 60 days' notice. Principal and semi-annual interest January 1 and July 1, payable in New York. Coupon bonds in the denomination of $1,000, which may be registered as to principal only. Fully registered bonds in the denomination of $1,000 or any multiple. Coupon and registered bonds are interchangeable. Issuance authorized by the Michigan Railroad Commission. Application will be made to list these bonds on the New York and Boston Stock Exchanges. Price 95 and interest, netting about 5.30%. Offered by Harris, Forbes & Company, Pine Street, corner William, New York City.

The PENNSYLVANIA RAILROAD COMPANY, $60,000,000 General Mortgage 4½% Gold Bonds, due June 1, 1965. Interest payable June 1 and December 1. Coupon bonds in denomination of $1,000 each, with privilege of registration as to principal and exchangeable for bonds registered as to both principal and interest. Fully registered bonds re-exchangeable for coupon bonds. Offered at 97½% and accrued interest to date of delivery by Kuhn, Loeb & Co., New York City.

CHICAGO, INDIANAPOLIS & LOUISVILLE RAILWAY, $2,000,000 First and General Mortgage 5% Gold Bonds. Dated May 1, 1916, due May 1, 1966. Interest payable May 1 and November 1. Coupon bonds, principal of which may be registered, in denominations of $500 and $1,000. Fully registered bonds of $1,000 and convenient multiples. Coupon and registered bonds interchangeable. Guaranty Trust Company of New York, corporate trustee. Application will be made to list these bonds on the New York Stock Exchange. Price 93½ and interest; netting 5⅜%. Offered by Potter, Choate & Prentice, 5 Nassau Street, New York; Harris, Forbes & Co., Pine Street, cor. William, New York.

MONTREAL TRAMWAYS & POWER COMPANY, LTD., $5,350,000 Two-year 6% Secured Gold Notes, dated April 2, 1917, due April 1, 1919. Interest payable April 1 and October 1. Authorized $5,850,000. Outstanding $5,350,000. Principal and interest payable in New York in United States gold coin. Coupon notes in the denomination of $1,000 registerable as to principal. Redeemable at 100½ and interest on any interest date on 30 days' notice. Price 98½ and interest, yielding 6¾%. Offered by Potter, Choate & Prentice, 5 Nassau Street, New York.

BIRMINGHAM RAILWAY, LIGHT & POWER CO., $1,200,000 Two-Year 6% Notes, to be dated April 1, 1917. Due April 1, 1919. Optional at 101 and interest to April 1, 1918, and 100.50 and interest thereafter. Principal and semi-annual interest April 1 and October 1, payable in New York City. $1,000 coupon notes with privilege of registration as to principal. $2,000,000 authorized; $1,200,000 to be issued; $800,000 to be reserved for extensions, improvements and betterments. Offered at 100 and interest, to yield 6%, by E. H. Rollins & Sons, 1421 Chestnut Street, Philadelphia.

PROVINCE OF MANITOBA, Canada, $2,000,000 5% Gold Bonds. Dated April 1, 1917, due April 1, 1922. Interest and principal payable in gold in New York, Toronto, Montreal and Winnipeg. Interest payable First of April and October. Denominations, $1,000. Offered at 97.84 and interest, yielding 5½%, by Wood, Gundy & Company, 14 Wall Street, New York.

The MELBOURNE ELECTRIC SUPPLY COMPANY, LIMITED, $1,250,000 Five-Year 6% General Mortgage Convertible Gold Bonds. Dated March 1, 1917, due March 1, 1922. Coupon bonds of $500 and $1,000 each. Interest payable March 1 and September 1. Principal and interest payable at the offices of Lee, Higginson & Co., in Boston, New York, and Chicago, in dollars or, at the holder's option, at the office of Higginson & Co. in London in pounds sterling at the current rate of exchange, without deduction for any British or Australian taxes. Convertible at the option of the holder upon 30 days' notice, into 7% First Cumulative Preference Shares at par after March 1, 1918, or into the ordinary stock at 150 at any time, for which purpose bonds will be convertible at $5 per pound sterling (being at rate of £100 preference shares or £67 ordinary stock for each $500 of bonds). Redeemable, as a whole, at Company's option on any interest date after three months' notice at 105% and accrued interest, but if called for redemption may, nevertheless, be converted, as above stated, at any time prior to the redemption date. Offered at 96¾% and interest, yield 6¾%, by Lee, Higginson & Co., 43 Exchange Place, New York, and Parkinson & Burr, 7 Wall Street, New York.

Bond Inquiries

United Traction 5s

W. D. C., Baltimore, Md.—The immediate future outlook for the United Traction General Mtge. 5s is rather favorable, and we suggest that you hold the bonds. They are not entitled to the highest rating, but they are well secured and the margin of safety over interest charges is ample. We consider them a fairly attractive, business man's investment. Of course this company has been benefited by the tremendous industrial prosperity in the Pittsburgh district in the last two or three years, and in considering the future of the bonds, this should be taken into consideration, for they have not yet reached the stage where the price remains stable, but on the contrary is influenced by a decline or increase in the earning power of the company.

Rutland Ry., Lt. & Pr. 1st Mtg. 5s

B. B. E., Youngstown, O.—Rutland Railway, Light & Power 1st Mortgage 5s' position is improving, and we think these bonds will ultimately be established on a higher plane. These bonds are a direct obligation of the company which operates without competition the entire gas, electric light, street, railway and power business of Rutland, Vt., and vicinity.

Colorado Midland 1st Mtg. 4s

R. L. A., Newark, N. J.—Colorado Midland 1st Mortgage Gold 4s' position is not very encouraging. The mines to which this road runs are said to be largely exhausted, and the ratio of operating expenses to gross is very high (over 95%). The only hope of the holders of these bonds lies in the fact that the property (if placed in good shape) may be of strategic value to one of the roads it connects with.

High Grade Bonds

W. S., N. Y. City.—As to the investment of your additional funds at this time, we do not feel warranted in making any suggestions because of the uncertainties in the foreign situation. In fact, we are not advising fresh commitments on this account, either for investment or speculation. Of course, you might invest with perfect safety now in high grade railroad bonds, such as Atchinson General 4s, Union Pacific 1st 4s, New York Central 1st 3½s, Chicago, Burlington & Quincy General 4s or Baltimore & Ohio 1st 4s and it is unlikely that bonds of this class would show very much of a decline even should actual hostilities break out between this country and Germany. Nevertheless, we think you would do better by waiting.

Chicago, Rock Island & Pacific 4's

J. R. B., Maryland, Va.—Chicago, Rock Island & Pacific 1st & Refunding 4s is in a fairly secure position, although it cannot be rated among the highest grade bonds. If you are holding them for investment purely, it would probably be inadvisable for you to liquidate them at such a loss as they show you now, although it is not at all unlikely that they will sell lower in sympathy with a general further downward trend in bond prices, due to the necessity of readjusting values to the new Government loan issues.

Russian Bonds

F. P., Holyoke, Mass.—Imperial Russian Government External Loan Bonds are very speculative. We are not disposed to favor the unsecured loans of any of the foreign governments. Of course those bonds can be bought on a comparatively low basis and there is a chance of big speculative profits in them after the war, if Russia's credit is re-established. Opinion among the best experts differs as to Russia's credit position, both present and prospective. While it must be admitted that Russia is a very big country with enormous resources, it is plain enough that her credit is strained now at any rate. There is a possibility of its being strained to the breaking point before the war is over.

Hydraulic Power of Niagara Falls 5s

L. P., Brooklyn, N. Y.—Hydraulic Power of Niagara Falls 1st & Refunding Mortgage Gold 5s is a very high grade bond. The issue is a direct obligation of the company, secured by a first lien on the power canal, penstocks, power plant, turbines, equipment, buildings, certain real estate and other property of the company, and on the mill site property. It is also further secured by deposit with the Trustee of $1,150,000 (out of $1,500,000 authorized) 1st 5s of 1940 of the Cliff Electrical Distributing Company. The company has agreed to acquire and pledge under this mortgage any additional of the aforesaid bonds of the Cliff Electrical Distributing Company which may be issued. The Hydraulic Power of Niagara Falls owns and operates the oldest power plants now using the waters of the Niagara River for power purposes. The company confines its business to the development of mechanical power and the leasing of hydraulic power.

These bonds are secured by what appears to be valuable property, in addition to securities, and as they are protected by a wide margin of safety in earnings, a very high rating is justified.

Although an unlisted bond, this one is of such a character that it should probably not be at all difficult to borrow on it as collateral from a bank. It is true that the quotation on an unlisted bond is generally not readily available since the daily papers do not publish such quotations. It should be a comparatively simple matter, however, to keep in touch with the market price of the bond by communicating with your broker from time to time.

PUBLIC UTILITIES

Northern States Power

Successful Plan of Making Its Customers Partners in the Business—Yearly Growth and Prospects

By GEORGE F. LEE

THE great Middle West is noted for its progressive policies, as well as its grain fields, and few states are more progressive than Minnesota, Wisconsin and the Dakotas. It is in this setting that the Northern States Power Company has adopted the most progressive of modern public utility financing mehtods—that of selling its securities to its customers.

A Permanent Policy

The customer ownership plan, as developed by the Northern States Power Company, is to represent a permanent policy, which, because of the widespread distribution of the operating company's interests, involves the agency of numerous subsidiaries. The subsidiaries serve 139 communities in ten principal divisions, the best known being Minneapolis and St. Paul. In addition Stillwater, Mankato and Faribault, Minn.; Grand Forks and Minot, North Dakota; Sioux Falls, South Dakota; Platteville, Wis.; and Galena, Ill.; are all substantial districts, the latter two places being the center of the zinc and lead mining district of Wisconsin and Illinois. Electric light and power service is rendered to more than 100 municipalities, gas is sold in eleven districts, steam heat in four, including St. Paul, and the Company provides the telephone service at Minot, N. D. In Fargo, N. D., and across the Minnesota River, at Moorhead, Minn., the Company owns the street railways.

The adoption of the permanent policy of security sales to consumers in all this territory has been simplified. Northern States Power sells its own stock, i. e., the stock of the holding company owning the stock of the individual operating utilities. The subsidiaries merely act as agents.

The results of the policy of sales to individuals in the localities served, appear in the following summary:

Dec. 31	Par value of stock held	Number of local share-holders	Average amount per share-holder
1915	$340,000	580	$586
1916	1,436,000	2,774	518

The experience of the Northern States Power has led to the introduction of policy in all Byllesby interests, and incidentally has shown the operators that local 8 per cent. money is not an insuperable obstacle. When the company consolidated its funded debt the 5% bonds and 6% notes were offered locally. Despite the fact that they had to compete with 6% to 8% first mortgages, a considerable amount were taken.

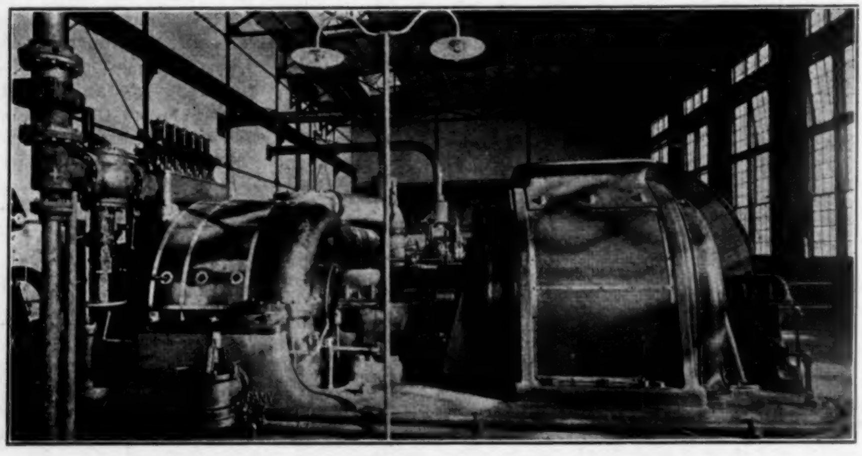
Properties

The company's property is extensive. Ten water power plants having an aggregate capacity of 41,000 electrical horsepower are owned and operated. In addition the undeveloped water power sites held are capable of manufacturing in excess of 146,000 horsepower. Thirteen steam plants with a total capacity of 74,000 horsepower are owned and operated. Of the 74,000 horsepower, 63,000 are produced by steam turbines, the most efficient method of generating by steam. In the current year an additional 40,000 of electrical horsepower will be available, though a contract with the Wisconsin-Minnesota Light & Power Company. This power is to be supplied at a fixed rate, and is a hydro-electric development.

To supply its gas consumers, the Northern States Power Company owns and operates five coal gas plants having a daily capacity of 1,200,000 cubic feet of gas. There are approximately 600

miles of long distance electrical transmission lines.

The company's growth and development has been striking, as the accompanying tables show, and no year is more striking than 1916, not only from the standpoint of earnings, but also from that of finance. In April the corporate organization of the Northern States properties was simplified, the funded debt of the subsidiaries and parent companies consolidated and completely refinanced, with the exception of the first mortgage bonds of The Minneapolis General Electric Company. Preparatory to this transaction many of the operating properties were consolidated under the Northern States Power Company of Minnesota, whose stock is held by the Northern States Power Company of Delaware. The stock of the Delaware company is held by the public. The transaction enabled the placing of a new blanket mortgage on the Minnesota concern, and with the securities issued, the underlying liens were retired with the one exception mentioned.



Generating Room of Steam Power Station at Galena, Ill.

Capitalization

The company now has the following capitalization:

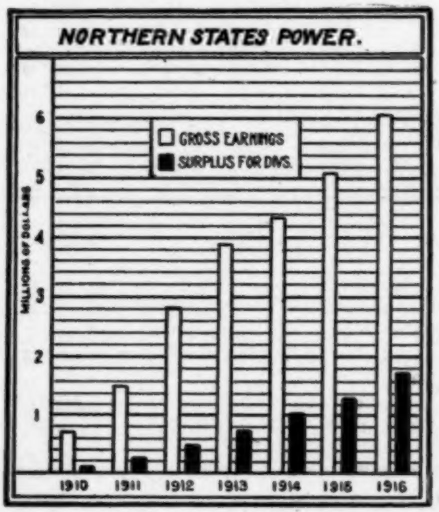
	Authorized	Outstanding
The Minneapolis Gen. Elec. Co. 1st 5s due 1934	....	$7,628,000
First and Ref. Mort. Bonds due 1941	$100,000,000	18,000,000
Ten Year Six Per Cent Notes due 1926	12,000,000	7,805,000
Seven Per Cent Accumulative preferred stock.	50,000,000	12,309,000
Common stock	50,000,000	5,975,000

The bonds were first offered to investors at 96½, the notes at 99, and the preferred at 97½, and all have had a good market since. The successful consummation of the plan left the company with a simplified financial structure, and $2,500,000 cash in the treasury to help defray the expenses of the 1916 construction program. The financial set-up is calculated to assure the raising of future capital on the easiest and most economical terms, and has placed the company in a position to meet efficiently the demands for extensions, enlargements, and improvements which the progressive character of the territory served will call for indefinitely, and which the company must make if it is to continue to play its part creditably in community development.

Option Warrants

One feature of interest in connection with the $8,000,000 of notes was the issue of 80,000 option warrants giving the holders thereof the privilege of converting them into a corresponding number of shares of preferred or common stock at a price of par and accrued interest.

Payment is to be made with the notes. Additional stock may be obtained by cash payment of the 2% redemption premium on the notes prior to April 1, 1921, and 1% thereafter. This conversion, if availed of, will result in the retirement of the notes and the issuance therefore of 80,000 shares of either preferred or common stock at a price which will net the company not less than par. $195,000 of notes have already been retired in this manner. The authorized preferred stock was increased from $16,000,000 to $50,000,000 and the authorized common



stock from $14,000,000 to $50,000,000 in connection with the refinancing to provide for the future growth. The issued preferred stock was increased last year from $8,386,700 to $12,152,000. The funds derived from the sale of this stock were used partly for refinancing and the balance put back into working capital. Since the first of the year an additional $159,000 of preferred stock has been sold from the treasury.

An objection recently raised to the securities of public utility companies, and this especially applies to electric power companies, is that increasing costs will materially cut down earnings. President H. M. Byllesby, in the annual report, makes the following statement on this point:

"During the past eighteen months, your company, in common with all others, has been confronted with a necessary increase in labor cost and a marked increase in the cost of all materials entering into its operation and construction. Also, notably during the past four months, it has suffered greatly from the increased cost of fuel required for that part of the power generated by steam. This has been due not only to the increased cost of coal, but has followed the great congestion in the railroad service which frequently has forced your company to go into the open market and purchase practically at retail and at retail prices, the fuel which could not be delivered under its coal contracts and which was necessary in order to preserve the continuity of service. As to how far this increase in labor, material and fuel may go, of course, cannot be predicted, but with the increasing proportion of power produced by its own hydro-electric plants and the power which it will purchase from the Wisconsin-Minnesota Light and Power Company under a fixed contract, as well as assured growth of your company, it is confidently expected that net earnings will continue to increase satisfactorily."

The satisfactory service rendered by this company is shown by the very material increase in the number of customers as shown by Table II. There was in 1916 an increase of 18% over 1915 and approximately the same ratio of increase in each of the past five years over that of the preceding year. It is interesting to see the component parts which go to make up the goodly total of 95,677 customers, which follows: electric 81,774, gas 11,296, steam heat 689 and telephone 1,918. The gross income obtained from these different divisions in percentage is as follows: electricity 86%, gas 5%, steam 6%, telephone 1% and the remaining 2% is derived from the street railway department.

Condition of Properties

All of the properties of the company are kept at a high state of efficiency and are in excellent physical condition. The cost of maintenance last year amounted to $348,599, in addition to which $475,-

393 was charged against the previously existing depreciation reserve for replacement and renewals. Thus the full amount charged off last year for maintenance, replacements, renewals, etc., was $823,993, a substantial percentage of gross.

There is another item in the annual report which is worth looking at, and that is the good will borne towards the company in the various communities in which the subsidiaries operate. Again quoting from the annual report we find:

"The relations of your company with communities served is satisfactory.

"From time to time, in its various divisions, practically continuous voluntary reductions in charge for its output are being made, and broadly every effort is continually exerted to deal fairly with all of the communities served and, by excellence in service, through the extension of the service and by the reduction in rates, to fulfill in the very best spirit the proper service and obligations of a utility corporation to the public."

Earnings have shown a healthy increase and even with the depression of two years ago, made good gains in both gross and net. In 1915, the balance available for dividends was $12.91 per share, for the common stock, which in 1916 increased to $16.87 a share. When it was known that good earnings in 1916 were assured, dividends were inaugurated on the common stock. The rate on this issue is now 7% through quarterly payments of 1¾%.

Northern States Power Co. has a well rounded financial structure. The funded debt is less than twice the outstanding stock issues, both of the latter selling at par.

Fixed charges are being earned more than twice over. The company supplies a growing territory. The securities are highly regarded and with a continuation of the present policies of management, this company will undoubtedly develop into one of the strongest public utility companies of our great northwest.

TABLE I

NORTHERN STATES POWER'S EARNINGS.

	1916	1915	1914	1913	1912
Gross	$6,087,153	$5,125,998	$4,395,869	$3,887,408	$2,839,222
Net	3,341,656	2,870,805	2,364,370	1,956,934	1,392,563
Interest Charges	1,593,127	1,512,109	1,339,668	1,204,624	861,677
Preferred Dividend	740,236	587,069	587,069	571,513	422,918
Common Dividend	283,296	......			
Surplus	724,479	771,627	437,633	180,796	107,968
% Earned on pfd.	14.37%	12.66%	9.38%	9.17%	8.75%
% Earned on com.	16.87%	12.91%	3.29%	3.03%	1.80%

TABLE II

NORTHERN STATES POWER'S OPERATING STATISTICS.

	Rated Capacity Horse Power	Kilowatt Hour Output	Connected Road Kilowatts	Miles of Transmission Lines	Gas Output Cubic Feet	Total Number of Customers
1910	70,550	60,596,650	57,194	...	203,845,450	35,120
1911	72,750	86,633,389	75,368	...	219,473,690	39,510
1912	74,250	106,139,726	89,932	427	243,111,985	48,366
1913	76,677	128,658,783	105,572	433	263,118,100	57,298
1914	95,686	160,235,541	132,715	457	273,052,460	69,240
1915	114,808	186,412,757	159,707	551	263,077,100	80,710
1916	120,815	241,241,421	191,945	800	286,366,500	95,677

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth, as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Public Utilities	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Republic Ry. & Lt. com......	$4	10.2%	.....	.....	.....	.....	1.95	2.97	8.73	39	22.38%	40.22% increase coal expenses 1917.
Elec. Bond & Share pfd......	6	6.0	25.35	35.30	35.00	23.50	22.74	23.30	19.61	100	19.61	Purchases new Pennsylvania properties.
United Ry. & Lt. com.........	4	8.7	.....	.....	.....	4.74	3.74	2.41	8.68	46	18.87	Much better business in view.
Northern States Power com...	7	7.0	.....	.....	.....	3.00	7.40	12.90	16.87	100	16.87	Large gains in new business.
Third Ave. R. R. com........	0	0.0	.....	.....	.....	4.25	3.78	4.19	5.98	39	15.33	Recent earnings show decrease.
Common Pr. Ry. & L. com....	4	6.9	.....	6.02	6.74	7.44	8.28	7.42	8.80	58	15.17	Heavy increase in operating expenses.
Adir. Elec. P. pfd...........	6	7.3	.....	6.60	5.50	2.50	5.15	11.87	12.27	82	14.96	Will acquire new properties.
Am. Pub. Util. com..........	0	0.0	.....	.....	.....	5.85	4.69	3.83	5.35	36	14.86	New plants opened in Minnesota.
Pac. Gas & Elec. com.........	5	7.7	9.20	6.09	.....	2.84	7.78	10.48	8.57	64	13.38	Acquiring Elec. Ry. properties in California.
Western Union Tel...........	5	5.1	5.60	5.38	4.01	3.24	5.38	10.19	12.50	97	12.88	Large earninugs expected 1917.
Am. W. W. & Elec. 1st pfd...	0	0.0	.....	.....	.....	.....	.....	9.57	10.18	80	12.72	Earnings very good.
Cities Service com...........	6	2.0	.....	8.18	7.01	11.31	14.66	15.27	36.74	294	12.49	Extra stock dividends expected.
Con. Gas, Baltimore, com.....	8	6.6	10.09	8.76	13.12	15.27	11.43	11.56	13.89	120	11.50	Large earning power.
Laclede Gas Com............	7	7.0	10.02	8.52	8.40	8.16	8.20	9.24	11.21	100	11.21	Earnings normal.
Brooklyn R. T...............	6	8.9	5.58	6.82	8.28	9.17	7.14	7.40	7.53	68	11.00	Recent income better.
Nor. Am. Co................	5	7.3	6.22	6.23	7.15	7.01	6.41	6.06	7.25	68	10.66	Earnings very good.
Kings Co. Elec. L. & P. com..	8	6.9	10.09	10.24	9.52	9.29	10.85	11.66	11.88	115	10.33	Earnings normal.
Detroit Edison	8	6.0	6.93	8.22	7.84	8.34	10.52	13.68	13.72	133	10.31	February earnings show increase.
So. Cal. Edison com..........	7	7.6	3.76	5.75	5.35	7.56	6.07	6.71	9.09	92	9.88	January shows slight increase.
Twin City R. T. com.........	6	6.3	7.22	7.25	7.44	8.69	8.05	6.83	9.22	95	9.70	Earnings better than usual.
St. Gas & Elec. pfd, $50......	3	7.7	.....	3.85	7.39	3.19	2.63	3.15	3.71	39	9.51	Large gain in output.
Montana Power com..........	4	3.8	.....	.....	.....	3.13	2.42	3.73	8.20	101	8.11	Record earnings for 1916.
Am. Tel. & Tel. Co...........	8	6.4	10.34	10.01	9.86	9.59	9.38	9.52	9.77	125	7.81	Good increase in business.
Con. Gas of N. Y............	7	5.8	7.17	8.89	8.91	8.50	8.40	9.29	8.67	120	7.22	Increase in gas oil prices.
Am. Lt. & Trac. com.........	10	2.8	27.63	27.79	26.05	25.09	22.32	24.62	25.66	362	7.09	Two million dollar increase in surplus.
Mass. Gas com...............	5	5.4	4.11	4.22	4.34	5.20	5.15	5.13	5.53	92	6.01	Possible dividend increase.
Mackay com.	5	5.5	4.29	5.05	5.06	5.09	5.25	5.28	5.36	90	5.95	Increased dividend ¼ of 1%.
Peoples Gas Lt. & Coke.......	6	6.1	9.01	8.92	7.54	8.25	8.55	8.39	5.39	98	5.50	New rate agreement with Chicago.
Pac. Tel. & Tel. com..........	0	0.0	0.66	1.03	0.63	1.87	1.89	0.56	1.25	30	4.16	Earnings about normal.
Philadelphia Co., $50.........	3.50	9.2	3.90	5.30	3.80	3.11	3.03	4.31	.....	38	11.30	Continues to show good earnings.
Am. Gas & Elec. com, $50....	5	3.6	6.35	8.00	8.62	8.67	9.53	12.55	.....	137	9.15	Merger discussion with Lehigh navigation properties.
Brooklyn Union Gas..........	6	4.8	9.88	9.95	9.19	5.42	7.20	9.54	.....	125	7.63	2% extra paid since 1912.
Am. Power & Lt. com........	4	4.7	.....	.....	.....	6.01	5.24	4.21	.....	85	5.00	Earnings continue good.

Companies which have not reported 1916 earnings are listed below companies which have reported such earnings.

Public Utility Notes

Alabama Traction, Light & Power.—Reports February gross of $147,797, against $107,436 in 1916, and net, after taxes, of $101,329, against $71,280 last year.

American Cities.—Income account, constituent companies, year ended Dec. 31, 1916, shows gross earnings, $15,464,361; net, after taxes, $5,499,278; surplus, after charges, $1,689,019.

American Power & Light.—Reports February gross, $806,362, against $733,648 in 1916, and net after taxes, $344,713, against $338,601 last year.

American Telephone & Telegraph.—Reports January gross, $2,624,664, against $2,182,042 in 1916, and net after taxes, $1,323,426, against $1,160,195.

American Public Service.—Financial statement, year ended Nov. 30, 1916, shows gross earnings of $726,180, and net of $298,596. The interest on $1,750,600 first lien bonds amounted to $105,036. The net earnings are more than 2¾ times the annual interest requirements on the bonds.

Appalachian Power.—Report, year ended Dec. 31, 1916, shows net earnings of $440,188, a gain of 40% over 1915; gross revenues were $794,922 in 1916, an increase of 27% over 1915.

Binghamton Light, Heat & Power.—The new power plant of the company has been roofed over and the installation of the boilers and other equipment is well under way. A 5,000-kw. turbine has been ordered for November delivery, and when this is ininstalled the station will have an installed capacity of 10,500 kw.

California Ry. & Power.—Authorized directors to take measures looking toward a consummation of the alternative plan of caring for the United Railroads of San Francisco and the holders of its 4% bonds.

Central & South American Telegraph.—Report, year ended Dec. 31, 1916: Gross, $3,402,656, against $2,848,994 last year; operating income, $2,542,325, against $2,121,660 last year; surplus after dividends, $1,968,065, against $1,260,271 last year. Net earnings of $2,542,325 are equal to 26.56% on $9,571,000 capital stock outstanding.

Chicago Railways.—Balance sheet, as of Dec. 31, 1916, showed profit and loss surplus of $767, against $286,952 in 1915.

Cities Service.—Stockholders will be asked to approve recommendation made by the board in the fall of 1916 safeguarding preferred stock and also approve an increase in authorized preferred stock from $60,000,000 to $100,000,000, and in authorized common stock from $40,000,000 to $50,000,000. None of this new stock is to be issued at present. Has declared an extra dividend of ½ of 1% in stock on its common stock, in addition to the regular monthly dividends of ½ of 1% on the preferred and ½ of 1% in cash on the common stock, all payable May 1 to stock of record April 15.

Commonwealth Edison.—The company is now paying about 33½% increase for its fuel over the average price paid last year and for 1916 the average increase in the cost of its fuel was between 10% and 15% over 1915.

Commonwealth Power, Ry. & Light.—The increase of 31.57% in operating expenses in February was due to the fact that in that month over $100,000 more was paid for coal than in February, 1916, due in large measure to failure to receive deliveries of fuel on contracts.

Federal Light & Traction.—Reports February gross of $229,813, against $216,157 in 1916, and surplus, after charges, of $32,357, against $23,805 last year.

Illinois Northern Utilities.—Report, five months ended Dec. 31, showed gross earnings of $536,157; net earnings, $227,638; surplus, $63,344.

Interborough Consolidated.—The total number of this company's preferred stockholders has increased from 1,881 on Dec. 10, 1916, to 2,120.

Kansas City Railways.—For the eight months ended Feb. 28, 1917, gross was $4,566,612; net, $1,631,278; total income, $1,663,016; surplus, $309,516, and the balance after preferred dividends, $100,460. The accumulated surplus of the company to Feb. 28 accruing to the city under the franchise and reinvested in the property, was $1,126,065.

Lake Shore Electric Railway.—1916 surplus after charges of $159,192, is equal to 6% on the first preferred stock and 4.95% on the second preferred.

Laurentide Co.—Declared a dividend of 2½% for the quarter ended March 31, payable April 2 to stock of record March 27. This is an increase from an 8% to 10% basis.

Marconi Wireless Telegraph.—The operations for the fiscal year show, before allowing for reserves, a net income of $336,040, as compared with $288,994 for the year 1915. Receipts from ship messages showed an increase of 9%. The income from investment of surplus funds amounting to $98,107 decreased $6,824, due to the fact that $8,961 of interest was received on stock subscriptions in 1916, against $17,922 in 1915. After setting aside all reserves the net profit for the year was $259,888, an increase of 46.56%. This amount has been added to the surplus, increasing that fund to $801,776 on Dec. 31, 1916, while the reserve for depreciation amounted to $439,716 additional. The company has 26,000 American stockholders.

Public Utility Inquiries

Detroit United

F. A. V., Quebec, Can.—Detroit United earned in 1916 approximately 23% on its capital stock as compared with 15.69% earned in 1915, 13.16% in 1914, and 17.04% in 1913. The stock has a very substantial record, both as to earnings and dividends. The main reason for its having sold down to its present low price recently is that a new stock issue amounting to $2,500,000 has been made. This issue was offered for subscription at par to stockholders, to the extent of 20% of their present holdings. The right to subscribe expired on March 29. It is not at all unusual for a stock to be unfavorably influenced temporarily by the issue of additional stock. In view of the very large earnings of the company, its policy in increasing the dividend on June 1 last to 1¾% quarterly, thus placing the stock on a 7% per annum basis, may be regarded as entirely conservative, and there now seems to be no good reason why this dividend should not be continued. We are disposed to regard the stock as a fairly conservative investment at this price, although owing to the uncertainties in the foreign situation, etc., we would hardly venture the prediction that it has struck bottom. We suggest that any purchase be made with a full recognition of the possibility that the stock may go lower.

American Gas

V. A. W., Philadelphia, Pa.—American Gas Company stock, according to the latest statement, as of December 31, 1916, had a book value of $115 a share. The present dividend rate on the stock is 8% per annum, which rate has been in effect since 1914, previous to which time 7% was paid for five years. The stock at its current price of around 120 may be considered a conservative investment to hold for future market enhancement and income. The company has a consistent record of growth extending over the last ten years, and it is ably and conservatively managed.

Cities Service

T. H. A., N. Y. C.—Cities Service Pfd. declined, of course, in sympathy with the decline in the common stock. The decline in the common was due very largely to technical market conditions, and came at a time when outside conditions were extremely unfavorable. The stock was simply selling on a speculative basis and had been the object of a very heavy amount of speculative buying. It was bound to break when the news from abroad caused such confusion in the stock market generally. The Cities Service preferred stock at its current level is a very desirable and conservative investment, although it is not yet thoroughly seasoned and is still in a position where it may be affected by an unfavorable turn in the earnings of the company. Of course the remarkably large earnings of the Cities Service Company are due in a great measure to its oil production and the future of this end of the business is not certain by any means.

Brooklyn Rapid Transit

G. A. M., Chicago, Ill.—Brooklyn Rapid Transit is selling at its present high yield basis because of apprehension as to the maintenance of the present 6% dividend. The company is earning only a small margin over this dividend and as its fixed charges will probably be very heavily increased without any corresponding increase in the income, for the first few years after the new subways are open, the outlook for the maintenance of the present dividend is not encouraging. The stock has discounted a great deal by its decline, and for the present we suggest that you hold it in the expectation that you will have an opportunity to get out on a substantial rally. We do not think the stock is safe to hold as a permanent investment. Peoples Gas, now selling around 92, is also earning a very thin margin over its dividend. There are special reasons to account for this in the case of Peoples Gas, and late developments in the situation indicate that the company will get relief in the way of higher rates. The stock is not what we can regard as an entirely safe investment, although we believe that the company's position will improve considerably in the near future and that the stock will eventually be established at a higher price.

Middle West Utilities Co.

K. B. C., Toronto, Can.—The 6% dividend of the Middle West Utilities Company is not protected by a very large average margin and the stock's position is therefore somewhat speculative. There is not any great danger in this case that the dividend will have to be reduced in the future, but still, there is a certain amount of risk attached to a purchase of the stock and we do not particularly favor it.

Twin City Rapid Transit

M. C., Elmhurst, L. I.—The Twin City Rapid Transit Company is confronted with legislative difficulty, and while the outlook is that the pending application for an extension of franchises beyond 1923 will be acted upon favorably, there is always considerable uncertainty in matters of this kind and we do not suggest a purchase of the stock as an investment while the atmosphere is clouded.

Consolidated Gas

M. C. K., Brooklyn, N. Y.—The only stock on your list which we would care to recommend as a fairly conservative investment at this time is Consolidated Gas. The equity back of that stock is very high and both the principal and dividends may be considered safe, although it should be borne in mind that owing to extraneous influences, the price of the stock may show a decline below its current level before it is established on a materially higher plane. Eventually, however, Consolidated Gas, if purchased at this price, should show a handsome profit, and in the meantime the holders need have no concern as to the continuation of the dividend.

MINING AND OIL

International Nickel

Why the Stock Sells on an Approximately 14% Yield Basis —Present Large Earnings—Taxation Versus Profits

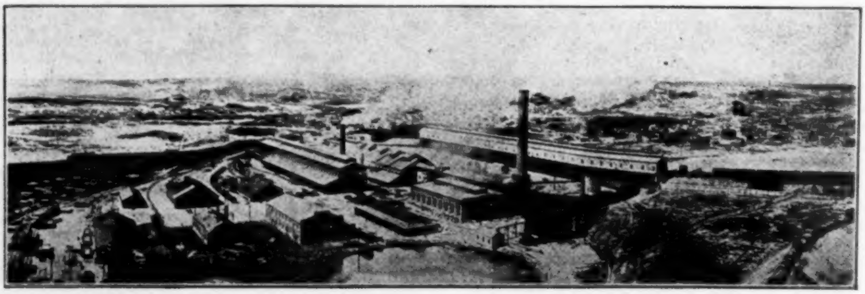
By LESTER L. FREUND

SELLING at 43, paying dividends at the rate of $6 per annum from earnings which are running at the rate of $10 per annum, International Nickel certainly looks cheap—"suspiciously cheap," as one market observer recently put it. For International Nickel is not in the position of the copper companies, which are making tremendous earnings on war-times metal prices and whose stocks therefore, might be expected to show market conservatism against the time when copper prices shall tumble. With the exception of the recent advance of 5c. a pound for nickel, the company has not materially changed its asking quotations since the war began. But notwithstanding recent very satisfactory earnings and prospects of larger earnings from the price advance of its product, International Nickel is selling on a considerably higher yield basis than some of the best of the coppers, to wit:

Company	Div. Rate	Recent Market Market Price	Yield
Utah Copper.......	$11.00	112	9.8%
Ray Consolidated..	3.25	30	10.8
Chino	6.00	56	10.7
Internat. Nickel...	6.00	43	13.9

To be sure, Miami is selling on a higher yield basis, while Inspiration, selling at 59, yields almost as much as Nickel, but the former has nothing like the life to its ores that Nickel has and the latter is a newcomer, while both are subject to the possibility of a collapse in metal prices at the close of the war.

International Nickel has ore bodies which give a book value of many times the market value of the stock (see December 25, 1915, issue of THE MAGAZINE OF WALL STREET), ensuring a life which will long outlast the lives of the present generation. Like the three copper stocks in the foregoing table, it is more a manufacturing than a mining proposition, and its securities are entitled to sell on a lower basis than the customary 10% yield, which it is generally expected that mining investments will show.



Copper Cliff Smelter of Canadian Copper Co., Controlled by International Nickel Co.

Government Taxation

The true reason for the apparent cheapness of International Nickel is probably due to the fear of oppressive taxation by the Canadian Government. Ever since the war broke out the company has been on the uneasy seat. The company's mines are situated at Sudbury, in the

Province of Ontario, but it has always shipped its matte to the Constable Hook, N. J., plant, where it was refined. Consequently, since American capital has developed the company and its corporate birthplace is New Jersey, it has always been more or less regarded as a foreign corporation in the Dominion, and Canadian politicians have regarded a drive on International Nickel as one of the most pleasing of parliamentary indoor sports. The Government war tax on capital employed in Canada, which went into effect somewhat more than a year ago, was equivalent to slightly more than 1% on the outstanding common stock of the company. At about that time, in order to placate its critics, the company announced that it had decided to erect a refinery in Canada, where the company's ores would be treated. This plant, it was estimated, would cost about $2,000,000.

Then followed the Deutschland scandal, when the German mercantile submarine, in spite of the precautions which had been taken to keep nickel out of German hands, sailed with a goodly lot of the desired metal. The matter was finally settled and the statement made that the Germans had obtained the metal through a breach of faith on the part of an original purchaser. The outcry died down and Nickel's officials breathed easily once more.

The New Proposed Tax

The spring drive this year against the company takes the form of a graduated war tax on mining companies situated in the Province of Ontario, which makes it apparent that International Nickel is being singled out as a victim. The net result of this tax would be a burden on the company of approximately $1,000,000 per annum in place of $40,000, as at present. This would be equivalent to a tax of 2½% on the par of the stock, or approximately 60c. per share. At this writing no word has been received as to whether the taxation bill has been passed. The foregoing recital of difficulties which the company has had to meet is perhaps the explanation of its market laggardness..

Earnings

It would appear, however, that International Nickel has had to encounter nothing yet which is a serious menace to its prosperity. The accompanying table, giving the tremendous strides in earnings of the last two years, shows that instead of being war crippled it has been war prosperous. International Nickel's ores contain about 80% of metal, of which, roughly speaking, 55% is nickel and 25% copper. Before the war the company produced about 50,000,000 pounds of nickel per annum, against a world production of between 60,000,000 and 70,000,000 pounds. Nickel's large percentage of the world's output gives it a practical air-tight monopoly of the nickel market. At the present time the company is producing in the neighborhood of 60,000,000 pounds per annum. An advance of 5c. a pound would mean ap-

HOW INTERNATIONAL NICKEL'S EARNINGS HAVE CLIMBED

Year Ended March 31	Total Income	Net Income	Earn. on Com.	P. C.	Year's Surp.
†1916	$12,844,820	$10,354,476	$9,953,410	23.7%	$4,933,258
1916	14,340,966	13,470,106	11,213,523	26.8	1,781,720
1915	7,049,112	6,713,387	5,063,315	13.3	309,377
1914	6,566,786	6,128,974	4,257,909	11.1	454,759
1913	6,929,106	6,386,799	4,485,550	*11.7	994,501
1912	5,088,965	4,866,412	3,047,210	26.3	902,798
1911	5,256,938	5,028,874	3,240,852	27.9	2,432,074
1910	3,348,681	3,144,734	1,532,783	17.2	1,044,805

† 9 mos. ended Dec. 31.
*Common stock increased from $11,582,626 to $38,031,500.

proximately $3,000,000 more per annum to the company, though as a matter of fact the company's contract with the British Goverment and other contracts prevent it from realizing the full profit on the increase for some time to come. Three million additional would pay the new proposed tax and leave a balance of between $1 and $2 per share. It must be remembered that the copper end of the company's business is an exceedingly profitable one. At the present time copper production is running at the rate of 3,000,000 pounds per month or 36,000,000 pounds per annum, and the present high prices for the metal mean larger profits from copper than the company has ever before experienced.

Attractive at Present Prices

Selling at 43 and yielding 13.9% International Nickel looks cheap, though, of course, the prospects of further war taxation gives a speculative cast to the stock. According to interests close to the company the earnings for the full fiscal year ended March 31 last totaled more than $8.25 per share on the common. As the nine months ended December 31 showed $5.92 on the common, it would appear that the earnings for the last quarter of the fiscal year were in the neighborhood of $2.33 per share, or at the rate of nearly $10 per annum on the common stock. It would appear, then, that earnings are sufficient to protect the present dividend rate against any taxation which is likely to be levied. As to the future, when the new Canadian smelter is completed the company will be able to increase production from 60,000,000 pounds to 80,000,000 pounds per annum, a gain of 33 1/3%. The stock has investment and speculative attractiveness.

OUR CONTRIBUTING EDITORS

Editor, The Magazine of Wall Street.

I am a professional man and up to a few years ago, like most professional men, was an "Easy Mark" as far as keeping and investing money was concerned.

I had saved $8,000, which I was induced to put into a gold mine in Nevada. The mine was all right, but the people in control put most of the money on top of the ground into concrete buildings and other unnecessary things instead of into the ground and when the money was spent the mine stopped and my $8,000 was gone.

In the meantime I began reading up on financial matters and subscribed to The Magazine of Wall Street.

In 1915 I bought outright 300 shares of Allis Chalmers common at 15 and held it until September, when I sold out at 40, a profit of $7,500.

Before that I had bought some timber bonds, which when the war broke out, passed the interest, and I was out another $3,000.

In November, 1915, The Magazine of Wall Street said "sell stocks" and I began selling short as I thought best. My first sale was 100 Erie common at 45 which I bought in two weeks later at 40, a profit of $500.

I have since repeated this process with other stocks and have won my $3,000 back and a little more besides.

What I know about the stock market I have learned through The Magazine of Wall Street.

However, as we have been and are in a bear market, I have consistently followed the short side. Some time ago I went short on 100 shares of a certain stock at 34. Instead of going down as I expected, it went up to 40¼ and I sold another hundred, so that I was short 100 at 34 and 100 at 40¼. The following week it dropped to 35, and I bought in at that price with a profit of $400.

I have found that it is fairly safe to sell stocks just before a dividend is to be declared, when they are usually at their highest. On the other hand, it is usually safe to buy stocks when a dividend is about to be passed, when they are usually at their lowest.

I have also noted that it is usually safe to sell stocks in a bear market when they are being bulled unmercifully while other stocks decline or stand still.

The Magazine of Wall Street has taught me the A B C of finance and has been the means by which I have been able to regain about $11,000 lost in former so-called "investments."

I have made other profits since and expect to make more in years to come; besides I think it has taught me how to invest sanely so that I will managa to keep what I have earned.

Physician.

Inflation in Oil

Flood of New Oil Securities Based on Abnormally Prosperous Conditions—Time for Investment Conservatism

By L. R. BEECH

PENNSYLVANIA, the founder of the empire of oil, is getting such high prices for her famous product that every drop is precious; Oklahoma, the maker of modern millionaires, is growing richer out of the ground at the rate of $23,000 an hour; California, the youthful giant of oildom, is straining every energy to make Mother Earth satisfy the insatiable thirst of her refineries, factories, locomotives and ships; Kentucky is astir with the tales of new-found wealth in an oil pool which she never suspected was in existence until a year ago; Wyoming has adopted a motto which suggests the care-free spirit of the Great West, "Oil Glad, Not Oil Mad." Texas, Louisiana, Kansas are rearing oil barons over night; even staid old Boston, Mass., which never believed in anything wilder than Thomas W. Lawson's copper mine promotions, has an oil well in her exclusive Back Bay section; one of the newest "rivals" of the Standard Oil Company carries in its inventory of prospective oil properties leases in New Jersey.

If our eyes were not greeted at least once a day, as we read the financial page, with the announcement of a new offering of oil shares, we should feel that we had missed the most important news next to the war dispatches. If we did not meet some friend at least three times a week who had a "tip" on an oil stock, we should feel that we had been born under an unlucky star. If we had not invested in at least one of those bright certificates with the magic word OIL written across its face, we should have been blind to the greatest of our opportunities.

Promoters still spell Paradise with a "P," but it is P-E-T-R-O-L-E-U-M.

In short, we are again afflicted with one of those frenzies for oil stocks which strike us in cycles of every five or ten years. The current oil boom has made a wider appeal to a wealthier audience than any other in history. It has gathered more momentum and is travelling at a more dangerous speed than any other we have known since the days of Drake and his first rock oil well in Pennsylvania, more than fifty years ago. It may well leave more wreckage behind it than any other oil boom, if it winds up in the usual crash.

So let us have a little heart to heart talk, Mr. Public, for it is you who always get "landed" in the dangerous stages of the game, when the insiders are climbing out to avoid the rush.

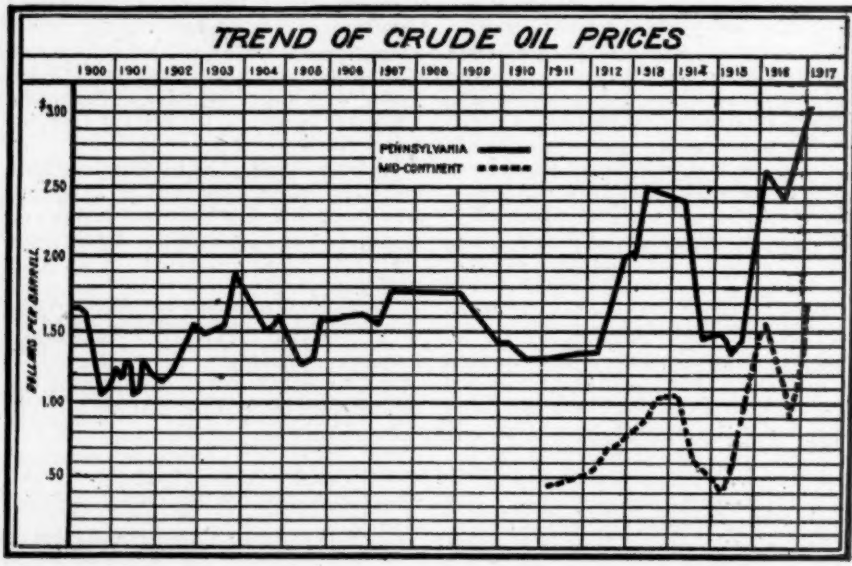
Did you ever stop to think how much capital is represented in new oil corporations that have come into existence since the war? Over three-quarters of a billion, without allowing for the companies having $50,000 capitalization or less. The figures of the New York *Journal of Commerce,* which are shown in the table accompanying this article, plainly tell the story of inflation.

The Search for New Oil

And to what use is this huge amount of new capital being put. A large part of it is being used to expand refinery facilities and to develop new oil production. The probable effect of this expansion and development deserves very careful consideration.

In the first place, it means the inauguration this spring of the greatest drilling campaign in the history of the industry. The search for new oil will be pursued on a fairly reckless scale, and if precedent is any criterion, it is bound to result in increasing the supply beyond consumptive requirements, temporarily at least. That means a decline in crude oil prices.

To examine the possibilities at close range, let us take the Mid-Continent field, for instance. This field is the dominating factor in the industry. During 1915 5,700 new wells were drilled in this section. In 1916 new wells numbered 11,400. The drilling operations there are now at the rate of 18,000 new wells per annum. According to the United States Geological Survey estimate, the field still contains nearly two billion barrels of oil. How much more or how much less than that it contains, of course, no one can tell accurately, but oil, in large quantities, is there without a doubt. Consequently, with prices high enough to pay handsomely if it is found the money is forthcoming to drill with. Not only does the Mid-Continent promise to produce very much more oil this year but there should be an increase in many other sections. The extraordinarily high prices have stimulated the search for new pools in little developed fields and in absolutely "wild-cat" territory.



The refinery capacity of the country is probably equal to, if not greatly in excess of requirements at this time. That would seem to be pretty well demonstrated by the fact that notwithstanding the very large advances in crude oil prices during the winter, the prices of refined products, particularly gasoline, are little higher, on the average, than they were last year.

Supply and Demand

For two years now the demand for petroleum has dominated the price, except for a brief spell in the summer of 1916 when there was a sharp set back in crude oil prices. There is ample evidence now that the demand will not let up, in fact, it looks as though it will increase as the refineries are called upon this spring to supply a normal increase in, the consumption. But however much a balance between the supply and demand is to be desired, it cannot be maintained in the oil business.

There have always been violent swings of the scales and we cannot expect that there will not be violent swings in the future. The graphic herewith shows the wide fluctuations in prices of crude oil over a period of years. These movements reflect the changes in the relations of supply and demand. Just note that the high price

for Pennsylvania crude oil in 1910 was $1.43 a barrel; in 1911, $1.35 a barrel; in 1912, $2.00 a barrel, and in 1913, $2.50 a barrel, and from that price it depreciated in 1914 to $1.45 a barrel, and in 1915 went as low at $1.35 a barrel. The price is now $3.05 a barrel.

NEW CAPITAL IN OIL COMPANIES SINCE THE WAR

1914	Companies	Capital
August	15	$7,892,000
September	9	3,040,000
October	14	3,330,000
November	15	11,990,000
December	24	11,985,000
Total	77	$38,237,000
1915:		
January	13	$2,500,000
February	11	2,805,000
March	12	1,213,000
April	16	5,060,000
May	12	2,785,000
June	15	17,175,000
July	25	8,535,000
August	6	750,000
September	21	9,160,000
October	17	14,355,000
November	22	8,250,000
December	26	7,985,000
Total	196	$80,533,000
1916:		
January	31	$12,074,000
February	27	163,915,000
March	10	12,450,000
April	10	21,310,000
May	25	67,450,000
June	22	31,675,000
July	13	4,600,006
August	15	7,340,000
September	19	16,610,000
October	25	28,740,000
November	24	26,882,000
December	19	26,700,000
Total	210	$419,746,000
1917:		
January	27	$44,890,000
February	53	82,835,000
March	37	61,450,000
Grand Total	600	$727,691,000

Oklahoma Oil as recently as 1915 sold as low as 40 cents a barrel. It is now quoted at $1.70 a barrel, an increase in two years of over 300 per cent.

It is all very well to dwell on the present high prices for oil and the enormous earnings which such prices mean for the companies engaged in the producing and refining end of the business, but in the ringing superlatives of the literature circulated by promoters of oil stocks, we are seldom told that the earnings would fall away if there was a decline in prices. Consider what it would mean if this country's annual production of 300,000,000 barrels of oil was sold at $1.00 below the prices now current — $300,000,000, a shrinkage equal to three-fourths of the par capitalization of new companies formed last year.

Dividends on Watered Stocks

Now to look at the position of the new companies from another angle: Can it be supposed for a minute that all of the new money that is being raised by the sale of stock through promoters is going directly into the business? No. The expense of the sale of stock varies, but in some cases it runs as high as 30% to 50% and even more. This large proportion expended to raise capital is not going where it can earn money for the stockholders. Yet many of the new companies are paying dividends on the water as soon as it is created.

The success of the Standard Oil Co., of the Texas Co., and of any successful company in the petroleum business was never attained by paying out dividends on watered stock. The very nature of the oil business renders that impossible, for owing to the hazards and uncertainties connected with it, it is absolutely necessary that a very large proportion of the profit of good times be laid aside for the rainy day and to provide for amortization of producing property. An oil well, like a mine, has a limited life. When it ceases to flow there is no more return. If the well is capitalized on the basis of its earning capacity and the profit paid out to stockholders without setting aside a reserve, the original investment has no equity behind it when the well is exhausted. A certain large enterprise which was organized with a great fanfare last year and which started to pay dividends on its capital within a very short time after its organization, shows

in a recent report of its financial condition that it has charged off no depreciation, although it has written up the value of its properties many millions of dollars; and it should be remembered that such write ups are on the basis of present high record prices for oil properties of all kinds.

A Time for Caution

It seems that the oil stocks are making their strongest appeal right now to small investors, those who are attracted by the bait of dividends in years to come. The picture painted in the literature which the promoter is spreading broadcast over the land is that the oil industry is the greatest field for investment in the world. He makes us ashamed that we have allowed Rockefeller to seize all the opportunities. Had we started sooner we might have caught up with him by this time. The buyer who is deceived in this way has visions of dividends which will provide him with an old age pension or secure an annuity for his children should he suddenly die before he has time to take out a life insurance policy. It is the people, in short, who buy these oil stocks now to lock them up in the family safe deposit boxes who need to be warned.

It might be well here to cite some warnings which have been given out by unquestionable authorities. Here is what a man who is president of one of the most succesful companies in the business says: "It is just a matter of history. Oil prices are as sure to come down from their present high levels as they were to decline from their former high record levels in times past. There is little difference between this boom and other booms except that it is on a larger scale. There is more money involved and there will be greater losses in the aggregate when the crash comes. Thousands of new companies are being organized with the idea of selling stock."

It is significant of the lack of judgment on the part of the public in periods of inflation for practically all industries that they fail to heed the warnings of people who know and whose opinions are unbiased, and take the word of interested parties, who very often do not know what they are talking about. Such a statement by Vice-President Weller of the Standard Oil Company of New Jersey, which was recently published, may soon be referred to as prophetic. It is on rare occasions that Standard Oil officials make public utterances concerning the oil business and this statement must be regarded as all the more important on that account. It follows, in part:

"The brisk demand for the past two years has so stimulated the construction of refining facilities that this capacity is now in excess of production of crude.

"Outside capital has been used largely in providing this excess, and when the lean years come, as they do with great regularity in this business, this new capital will be brought to a realizing sense that it is uneconomic to pay fancy prices for production or refining.

"However, concerns that have been conservatively operated will probably, on account of the demand, continue to enjoy prosperity during the current year."

The reader must not conclude that the writer desires to imply that all of the new oil companies are likely to go under if there is a sudden depression. He merely wishes to convey a warning to those intending and well meaning investors who are carried away with the illogical claims of promoters and others who are urging them to buy stocks in companies of mushroom growth. At the same time he doubts the wisdom of buying either for speculation or investment the stocks of even the well established oil companies at this time. It may be said of an oil boom, as of a mining boom, that the only way to take advantage of it is to sell while prices are high.

You cannot expect to get the top, and you may miss the opportunity of additional speculative profits by selling. But it is safer to be cautious now, and if you sell and miss profits you should at least have the satisfaction of seeing prices fall back again sooner or later. The time to buy oil stocks for investment is when crude oil prices are low and the industry generally unprosperous.

Mining Notes

Ahmeek Mining Co.—Reported a balance of $17.25 a share available for dividends at the year end. Production was 24,142,158 pounds of copper.

Alaska Standard Copper.—Has decided to exercise its option to purchase the Standard mine and proposes to make a first payment thereon shortly after the returns from the first shipment of ore are received.

Allouez Mining.—Report year ended Dec. 31, shows mining profits of $1,524,510, or $15.32 a share, compared with $9.29 in the previous year. Production was 10,219,290 pounds of refined copper, compared with 10,043,459 in 1915 and 6,056,548 in 1914.

Arizona Commercial.—Annual report year ended Dec. 31, 1916, shows: Gross receipts, $883,346, against $439,412; operating income, $463,750, against $180,484 last year.

Butte & Superior.—In February treated 43,217 tons of ore by flotation at an average cost of $5.55 per ton, and recovered 9,981 tons of concentrates worth $50 a ton. Estimates on the March, 1917, output place the zinc concentrates at approximately 14,500,000 pounds, as compared with 13,500,000 pounds in February, a gain of 1,000,000 pounds. The present rate of milling at the Black Rock concentrator indicates the recovery of 15,000 tons of concentrates with a zinc content of from 48% to 49%. The concentrate tonnage in February was 14,000. The silver output this month is estimated at 300,000 ounces, as against 280,000 ounces for the previous month.

Centennial Copper.—Cost of production in 1916 was the highest in four years—13.44 cents. Excess of current assets is approximately half a million dollars, increasing at the rate of $68,000 per month under existing copper contracts.

Chino Copper.—In February produced 6,572,106 pounds of copper, compared with 6,452,154 pounds in January and 6,750,916 pounds in December.

Consolidated Coal.—1916 balance after charges of $4,075,556 is equal to 11.61% on $35,107,380 capital stock, compared with 10.14% earned on $25,000,000 capital stock in 1915. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $12,625,525, compared with $10,160,617 Dec. 31, 1915.

Davis-Daly.—Has started two new compressors, which will enable it to increase output at Colorado mine to 200 tons per day of copper ores in addition to 50 tons per day of high-grade zinc ores. Zinc ores are running 15% to 18% zinc. Operating profits for February were estimated at $35,000, as against $25,000 in January. March operating profits were placed as close to $50,000.

East Butte Copper.—Has produced at the Pittsmont smelter during February 1,460,440 pounds of copper, against 1,479,520 pounds in January. The silver production for February amounted to 40,900 ounces, or about the same as January. Company showed a net surplus from 1916 operations of $1,565,768, equivalent to $3.80 per share, compared with $782,997 in 1915.

Federal Mining & Smelting.—Reports net earnings for February, 1917, after all deductions, including depreciation of $69,186.

Goldfield Consolidated.—Report, year ended Dec. 31, 1916, shows the company earned $452,734 net in 1916 from the milling of 338,680 tons of $7.52 ore, or a gross assay value of $2,548,426. This compares with $1,558,308 net from 390,054 tons of $10.51 ore in 1915.

Hancock Consolidated.—In February produced 335,000 pounds of copper. The February production was encouraging owing to the small number of working days.

Island Creek Coal.—According to official estimates, should earn between $17 and $20 per share on its 120,000 shares of common stock during 1917. The company cannot hope to produce as much coal in 1917 as in 1916. Its 1916 production was slightly better than 2,250,000 tons. In 1917, if output reaches 2,000,000 tons, the hopes of the management will be fulfilled. Island Creek Coal is exceedingly well off in cash. The Dec. 31 cash balance was $1,269,000 and has increased.

Isle Royale Copper.—Among the expenditures at the surface of the mine the large item was the construction of 3,700 feet of standard gauge railroad, connecting the No. 7 shaft end of the mine with the main line of the Isle Royale Railroad.

Kennecott Copper.—Has purchased in 12 months more than 200,000 shares of the Utah Copper Co.'s stock. Company owns 604,504 shares of Utah Copper stock out of 1,624,490 shares outstanding, thus giving Kennecott a dominating influence in Utah Copper.

La Salle Copper.—Report, year ended Dec. 31, 1916, shows balance of assets of $173,491, an increase of $78,855. Production was 1,380,352 pounds, an increase of 597,859 pounds over 1915. Yield was 9.53 pounds copper per ton of rock, a decrease of 0.14 pound from previous year. Copper was sold at average price of 25.68 cents. There were 3,107 feet of development work done during 1916, compared with 1,125 previous year and 1,123 in 1914.

Mayflower Mining.—Report, year ended Dec. 31, 1916, shows expenditures of $17,728, of which $9,518 was for diamond drilling, etc. Balance of assets at close of year was $45,314, together with $7,236 of unpaid assessments. President Paine sets forth reasons for consolidation with Old Colony

Copper Co. adjoining, stating that it is expected that a shaft will be started by the consolidated company when the snow is off the ground.

Miami Copper.—Declared an extra dividend of $1 a share, in addition to a quarterly dividend of $1.50 a share, payable May 15 to stock of record May 1.

Mohawk Mining.—Estimated earnings for February were $300,000, against $260,000 for January. The total for the first two months of the year was equal to $5.60 a share, or at the rate of more than $33 per annum. Notwithstanding the fewer working days, February results were but 1,800 pounds of copper below the January output.

Nevada Consolidated.—In February, 1917, produced 5,708,241 pounds of copper, compared with 6,279,432 pounds in January and 7,174,415 pounds in December.

North Butte Mining.—Income account, year ended Dec. 31, 1916, shows total receipts, $7,120,259, against $4,155,522 last year; net profits, $2,479,595, against $1,127,616 last year; surplus after dividends, $1,404,595, against $740,646 last year. Balance sheet, as of Dec. 31, 1916, showed profit and loss surplus of $5,287,012, against $3,882,417 last year. Company's earnings are running between $300,000 and $350,000 per month, or at the rate of close to $10 per share on the company's 430,000 shares. A quarterly dividend of $1 a share on the stock was declared, placing the issue on a $4 per annum basis. Three months ago 75 cents per share was disbursed. The dividend is payable April 30 to stock of record April 17.

Ohio Copper.—Recently purchased a large amount of the bonds and all the preferred and common stock of the Bingham Central Railway Co. This gives the mining company control of the transportation of its ores from the mine to the mill at Lark, Utah.

Phelps, Dodge.—The name of Copper Queen Consolidated Mining Co. has been changed to Phelps-Dodge Corp., and its capital stock increased from $2,000,000 to $50,000,000, of which $45,000,000 has been issued. The Detroit Copper Mining Co., Burro Mountain Copper Co. and Stag Canon Fuel Co. have transferred their properties to the Phelps-Dodge Corp., also the stocks of Moctezuma Copper Co., Bunker Hill Mines Co. and Phelps-Dodge Mercantile Co., together with the remaining assets of Phelps, Dodge & Co. of comparatively minor value, have been transferred to Phelps-Dodge Corp., all for $43,000,000 of its stock. The dividend declared by Phelps, Dodge & Co., payable March 29, was the last dividend paid by that corporation, and hereafter dividends will be paid as declared by Phelps-Dodge Corp. It is proposed to list the stock of Phelps-Dodge Corp. on the New York Stock Exchange.

Pond Creek Coal.—The best estimate of 1917 profits which is possible is a net for the year of $6 to $7 per share on the 200,000 shares of stock. January net was $100,000 and February slightly under $90,000. March will be up again, as it is felt that February measured the worst condition in car supply and labor the coal trade will meet in 1917.

Ray Consolidated.—The net profits for the year 1916, available for dividends, $12,084,165, are equal to $7.66 a share, compared with $2.92 a share earned in 1915.

Shannon Copper.—Report showed net profits of $813, equivalent to $2.71 per share for the year. From sales of copper, gold and silver the company last year received $2,620,950. Operative expenses were $1,797,789, leaving operating profits of $823,160. Surplus account of the year totaled $1,331,653.

Shattuck Arizona Copper.—Declared a dividend of 50 cents and an extra of 75 cents, payable April 20 to stock of record March 31.

Silver King Consolidated.—Reports for year ended Jan. 31, 1917, receipts of $676,305, against $539,295 last year; disbursements, $673,492, leaving net receipts of $2,813, as against $22,173 in 1916. Total surplus of $235,457 shows increase of $2,813. The amount of cash on hand on Jan. 31 was $182,972; loans, $27,360, and inventory, $21,343.

Stewart Mining.—Is negotiating for some property near the original Stewart claims in the Coeur d'Alene district, Idaho. These properties are said to carry values similar to the high grade values formerly secured by the operation of the original Stewart claims and from which their dividend record was made.

Superior Copper Co.—Report, year ended Dec. 31, 1916, shows mining profit of $331,933, or $3.31 per share, compared with $245,017 in previous year. Production totaled 3,034,656 pounds of refined copper, compared with 3,866,484 pounds in previous year. Yield was 16.38 pounds of copper per ton of rock, compared with 18.23 in previous year, 16.79 in 1914 and 22.87 in 1913. Net cost per pound refined copper was 13.78 cents, against 11.79 cents in previous year and 11.93 cents in 1914. Copper sold in 1916 was at average price of 24.67 cents a pound. A dividend of $1 per share was paid Oct. 10.

Tonopah Extension.—Receipts from operations of mine and mill for month of February, 1917, amounted to $121,439; current expenses, $83,789, and operating profit, $37,649.

United Verde.—Paid the regular monthly dividend of 75 cents a share and an extra of 75 cents. Including this payment the company has distributed 21 consecutive monthly dividends of 75 cents, and in addition has paid 10 extra dividends of 75 cents each.

Mining Inquiries

Hecla Mining (Correction)

L. R. T., West Allis, Wis.—The statement that Hecla Mining was a copper mining issue was incorrect. The company's principal output is silver. We regard the stock as one of the best silver mining investments.

Big Ledge

R. L. C., Shelton, Conn.—Big Ledge Copper has a property of some merit, but we regard the stock as a very risky speculation. We have been unfavorably impressed with the character of the market manipulation of this stock and with the conflicting and apparently exaggerated reports which have been circulated as to its value.

Tennessee Copper

D. M. M., Washington, D. C.—It is of course necessary to consider the operations of the Tennessee Copper Company in order to arrive at the earnings possibilities of the Tennessee Copper & Chemical stock. The readjustment plan enabled the Tennessee Copper Company to get sufficient working capital to carry on its operations and to provide for possible judgments against it on damage suits which are now pending. If these suits are decided adversely, it will not be embarrassed. Its operations are progressing very satisfactorily, we understand, and the prospects are now that the company will earn the equivalent of $2.50 to $3 a share at the minimum on the 400,000 shares of Tennessee Copper and Chemical stock outstanding. If the strength of the copper industry continues, however, there is a possibility that earnings will reach $4 a share or more for 1917. There is no early prospect of dividends being started by the Tennessee Copper and Chemical Corporation, but the outlook for a long pull for that stock is not unattractive.

Magma

L. B. S., Winchendon, Mass.—We can say most emphatically that we do not believe it is a good time to purchase the copper stocks generally as permanent investments. The copper industry is in a period of abnormal prosperity and sooner or later this is bound to give way to a period of depression. The outlook for the copper stocks for the immediate future is encouraging for higher prices, provided general market conditions are favorable, because there is likely to be a continued demand for copper as long as the war lasts and high prices are likely to be maintained. This, of course, will result in continued big profits and since all of the established copper companies are in splendid financial shape, they can afford to disburse a large proportion of their profits in dividends. There is one copper stock, however, which as a semi-speculative investment can be purchased now with every expectation that regardless of outside conditions, it will show a handsome profit within the next six months or a year. That stock is Magma Copper. The company has a very small capitalization. It has recently uncovered rich new ore bodies and is doing further development work on the strength of indications that there are further rich ore bodies at lower depths, in the mine. If expectations materialize, the stock will undoubtedly be intrinsically worth much more.

Cresson Consolidated

B. P., Cleveland, Ohio.—Cresson Consolidated Gold is a very excellent mining investment stock and we look for much higher prices in the near future on this issue. Some important developments are expected on the property.

Anaconda Copper

H. L., King Ferry, N. Y.—Anaconda Copper is in a strong position owing to the fact that the company has now enjoyed two years of unprecedented prosperity and has pursued a very conservative dividend policy. We regard Anaconda Copper as one of the best of the copper investment stocks, but it is doubtful as to its being worth its present price as an investment to hold permanently. We think it has good speculative possibilities if the trend of the market turns upward again and that will depend, of course, largely upon the future developments in the foreign situation.

Kennecott Copper

T. T. C., Painesville, Ohio.—Kennecott Copper is a less desirable purchase than many of the other copper stocks. It is not so much what this company's earnings are and what dividends have been paid, as it is a question as to what it can do in the future. This period of unprecedented prosperity in the copper industry is bound to be followed by a reaction sooner or later and it is likely that this reaction will be of an extent in inverse proportion to the extent of the boom. Kennecott has some valuable properties, but its Bonanza Mine in Alaska is not producing the results that it was six months or so ago. In Braden, the company has what may be developed into a very valuable and profitable property, but there is a great deal of development work to be done, and we are under the impression that Kennecott paid a very high price for Braden, when it took that property over. Kennecott seems to have been used as a sort of hopper in which to gather in at high prices stock control or interests in other companies. In other words, Kennecott has been freely watered from the beginning and the stock has been distributed to the public at inflated prices. We do not favor it and we do not suggest its purchase, although the stock may go up in sympathy with a general upward movement in the copper group. If it does, however, there will be other and better opportunities among the copper stocks, such as Anaconda, Utah, Chino, Ray, Consolidated and American Smelters.

Oil Notes

Continental Refining.—Acquired the right to use in Oklahoma the Lorch process for increasing the yield of gasoline from crude oil.

Federal Oil.—Will immediately commence active drilling in the Eldorado field, Kansas.

Galena-Signal Oil.—A statement of its financial condition, dated Dec. 31, 1916: Assets—Real estate and machinery, $1,218,537; merchandise, $1,855,207; cash and debts receivable, $6,913,622; patent rights, $6,950,000; total $16,937,367. Liabilities—Capital stock, $14,000,000; accounts payable, $1,160,812; reserve, $902,861; surplus, $873,693; total, $16,937,367.

Grass Creek Petroleum.—Declared the regular quarterly dividend of 3% and an extra dividend of 7%. Earnings are approximately $700,000 a year. The capital has been ordered increased from $1,000,000 to $2,000,000, of which $140,000 will be issued immediately for the purchase of approximately half a royalty interest in the Elk Basin field.

Illinois Pipe Line.—Is laying an 18-mile line from the Midwest Refining Co. plant at Casper, Wyo., to the Big Muddy field, where several important developments have occurred during the previous two months. The erection of this new line is of particular importance and significance to the future productivity of this region. Within a few weeks runs will be taken from all producing properties along its route. Balance sheet of Dec. 31, 1916, shows a surplus after charges of $365,242, against $334,827 last year.

Kenova Oil.—Has completed a central pumping and storage station near Scottville, Ky., which will permit the pipe line to take runs. It was stated that another well has been brought in, making five in all.

Magnolia Petroleum.—Has brought in a new well in the Electra field in Texas, with an initial production of 3,600 barrels a day, on a lease adjoining the 100-year lease owned by the Federal Oil Co.

Mexican Petroleum.—Has brought in a well which is flowing at the rate of 10,000 barrels a day. The new well is known as Chinampa No. 1 and is located just outside the famous Casino basin. It was brought in alongside the company's pipe line to Tampico, with which connection was made immediately. Production of the new well is 100% greater than the output of wells drilled in by other companies in the district. The Casiano pool, owned by the company, to date, has proved the most prolific in Mexico, one well, Casiano No. 7, alone having produced more than 50,000,000 barrels in the last few years. Company has produced about 70,000,000 barrels of oil since it has been in business, making it the largest producer of oil in Mexico. Close to 7,500,000 barrels of this total have been produced since February, 1916.

Ohio Fuel Oil.—New well flowing 25 barrels a day has been brought in by this company on the Isabell Myers farm in the district where a 40-barrel well was brought in recently. The company has commenced drilling in the Cabin Creek district, besides drilling in other sections of West Virginia and in the Irvine field of Kentucky.

Osage-Hominy Oil.—Well No. 28 on the properties of this company has been brought in with a production of 15 barrels an hour, or 360 barrels per day.

Prairie Oil & Gas.—Balance sheet, as of Dec. 31, 1916, showed profit and loss surplus of $47,197,133, compared with $34,592,379 in 1915.

Royal Dutch.—According to a statement received from this company the semi-annual dividend would be about 34%, which will amount to about $4.60 for an American share. This dividend probably will be declared about June 1 and will be paid to stockholders about the end of July.

Sinclair Gulf Corp.—A syndicate of bankers has purchased 22,500 shares of this company's treasury stock, and has agreed to give Sinclair Oil & Refining Co. stockholders opportunity to purchase 200,000 shares at $40 a share, pro rata, in accordance with their respective holdings. The syndicate which underwrote the conversion of $20,000,000 6% bonds of this company has been closed, all the securities having been sold.

Standard of Indiana.—Authorized an increase in the capital stock from $30,000,000 to $100,000,000. The annual report shows a total surplus of $53,236,657.

Standard of Kansas.—Balance sheet, as of Dec. 31, 1916, showed profit and loss surplus of $2,418,683, against $1,468,370 last year.

Standard of Nebraska.—The company, which does not issue an annual report or financial statement of any kind, has been reaping tremendous earnings for the past two years, and, according to reports, is now earning at a rate of more than 40%.

Standard Oil of Ohio.—Balance sheet, as of Dec. 31, 1916, shows a surplus of $6,039,390, against $6,749,954 in 1915.

Texas Co.—Has listed $11,100,000 additional capital stock, making the total amount authorized to be listed $55,500,000. Income account, six months ended Dec. 31, 1916, shows gross revenues, $20,996,119; operating income, $7,720,498; surplus after dividends, $4,924,687. On July 1 will redeem all its outstanding first mortgage 6% serial notes dated July 1, 1910.

Oil Inquiries

Tropical Oil Co.

H. H. M., Hastings, W. Va.—Tropical Oil Company is backed by the Benedum, Trees, Crawford interests of Pittsburgh, who developed the Penn Mex Fuel Company. The company owns a very large acreage of prospective oil property in Columbia. The seepages in this property are very similar to those in Mexico, and experts have pronounced the indications as even better than those in Mexico. This stock is speculative, but from the character of the people back of it and the reports that have been received, it appears to have big possibilities.

The company was organized with a capital of $50,000,000. An initial offering of 200,000 shares, par value $25, was made, the subscription price being $5 a share. The stock was heavily over-subscribed.

Two Oils

N. A., Los Angeles, Cal.—Southern Pipe Line is showing good earnings, but the possibilities of a further expansion of this company's business are limited, and we believe there are more attractive issues available among the Standard Oil stocks.

Vacuum Oil had a sharp break in the last few days. We are inclined to the opinion that if the stock has a further good rally, it would be wise to close it out, especially if you have a good profit, as the present price undoubtedly discounts a great many favorable factors in the present and future for this company. Vacuum has large interests in Germany.

Union Tank Line

B. U. L., Whiting, Ind.—Union Tank Line is a good investment stock and is now in a strong position. The company is very conservatively and ably managed. The book value of the common stock as of December 31, 1915, was $107 a share. The 1916 annual report has not as yet been issued. It is very probable that the book value of the stock has been increased considerably during the year. The average earnings of the company for a three-year period from 1913 to 1915, inclusive, amounted to 8.22% on the stock. The profits in 1916 were very much larger than in 1915 when 8.89% was earned.

Pierce Oil

U. M. S., Buffalo, N. Y.—Pierce Oil has been stimulated by the announcement that favorable legislation has been passed in the State of Texas, which will open the way for the company to absorb the Pierce-Fordyce Oil Association, virtually one of its subsidiaries which heretofore has been operated as a separate company, pending the obtaining of permission from the State of Texas to take it into the Pierce Oil Corporation. The Pierce-Fordyce Oil Association has made a very gratifying showing in the last two years, and its absorption by the Pierce Oil Corporation should prove beneficial to the latter. However, it is as yet uncertain as to what terms will be made with the consolidation and as to how much of an increase the merger will mean in the outstanding capital of the Pierce Oil Corporation. That is the crux of the whole situation and it is impossible to gauge the position of the stock or to judge how it will be affected until the particulars are known. We have never been very favorably impressed with the Pierce Oil Corporation and regard the stock as a risky speculation and do not recommend its purchase.

Metropolitan Petroleum

T. H. A., Brooklyn, N. Y.—Metropolitan Petroleum is capitalized for $12,000,000 stock, par value of the shares $25, and $3,000,000 bonds. The company claims to have concessions on valuable oil property in Mexico, but there is no way of determining with any degree of accuracy the value of these alleged holdings. The market for this stock has been subject to flagrant manipulation, and we have been very unfavorably impressed with the character of exaggerated and apparently unfounded reports which have been circulated. We do not recommend the stock. There are signs of renewed pool activity in the stock and it may go higher, but our experience is that outsiders very seldom, if ever, make money by buying a stock of this character on the strength of what a pool may be doing in it.

Sinclair Gulf

M. S., Boston, Mass.—We are not favorably impressed with the new Sinclair Gulf stock proposition and we do not recommend that you exercise your right to subscribe for it. The stock may have a speculative rise, but we do not think it is intrinsically worth the price it is being offered at.

Trend of Oil Stocks

E. R. R., Boston, Mass.—In a broad sense, the oil stocks move in common with the trend of the general market, but their narrow fluctuations are not governed as a rule by the general conditions, unless they are decidedly bullish or bearish. The oil stocks should not be affected as much as the general market by peace, because with the coming of peace, there will be large foreign markets opened for the consumption of oil products and this will take up or at least offset the slack which might result from the fall of the war demand for oil. There is a bigger consideration than this, however, in the oil situation just now, and that is the prospect that the record breaking drilling campaign this Spring will increase the supply to an extent that will cause a severe setback in oil prices. The industry has reached a period of tremendous inflation and if history is any criterion, there will certainly be a sharp deflation sooner or later. For these reasons, we are not recommending the oil stocks as investments.

UNLISTED SECURITIES

Promising Curb Steels

Several Issues with Good Prospects—Carbon Steel, Carwen Steel, Central Foundry, Eastern Steel—Recent Developments

By LAWRENCE C. SMITH

WITH the formal declaration of war against Germany there has come into definite prospect a huge military and naval preparedness program, the execution of which will call forth the most energetic efforts on the part of industrial companies throughout the United States.

The steel companies, in all probability, will undertake to fill the government requisitions at prices which will yield but a slim margin of profit.

The position of the various companies, whose securities are dealt in on the Stock Exchange, with reference to their ability to accept and execute government requisitions, is fairly well known.

There are several steel stocks which stand out prominently from the rest on account of their proved earning capacity, general stability of position and ability to undertake "rush" work of a special character without much internal disorganization and without having to go to unusual expenditures.

Carbon Steel

One of the companies briefly to be considered in connection with the above is the Carbon Steel Co. This company was incorporated in West Virginia in 1894 and has a capital of $500,000 of 8% first preferred, $1,500,000 6% second preferred and $3,000,000 of common stock.

This company manufactures high-grade open hearth and special alloy steel as well as armor plate and projectiles. Its plants are located at Pittsburg and Lawrenceville, Pa., and have a capacity of 110,000 tons. In the year ended Sept. 30, 1916, this company earned a net income of $3,100,947, and after paying the full 8% and 6% dividends respectively on the first and second preferred issues had remaining an equivalent of $99 a share for the $3,000,000 of common stock. After allowing for special reserves, the company was able to set aside for surplus account $2,575,000, or an equivalent of about $86 a share, after meeting all charges.

Carbon Steel was obliged, like many other companies, to suspend dividend payments during the period of depression in the steel trade before the war, but it is now in a most flourishing condition. A fortunate feature for the common stockholders is the fact that the dividends on the two preferred issues are not cumulative. This made it possible for the directors to place the common stock on a 6% basis. Recently the company declared an extra dividend of 2% on its common stock payable on May 22. This is the first extra dividend payment made by the company.

In the past Carbon Steel has worked on some war orders but these did not necessitate any new machinery or new construction. Most of this war work was on three and six-inch shells, which were shipped to the Westinghouse Co. for finishing.

The company bends its main energies to the manufacture of those special parts of the mechanism of automobiles, such as crank shafts, axles, bearings and pinions, which are made of the highest grade alloy steel. The company has also orders for armor plates for United States battleships.

and it is this department which, it is expected, will show a great expansion in production capacity and earnings during 1917 and 1918.

Carbon Steel has paid off its entire floating debt excepting, of course, current monthly bills, and is now in a position to take advantage of discounts on its purchases of raw material. The company has contracts for its requirements of pig iron and other raw materials at prices considerably lower than those now prevailing and these requirements cover the balance of the current year.

MARKET PRICES RANGE OF FIVE IMPORTANT CURB STEELS

Company	Par Value	1917 Present Bid	1917 Present Asked	1916 High	1916 Low	1915 High	1915 Low
Carbon Steel	..	87	89	127	55	134	41
Carwen Steel	$10	11	13	18½	7⅞	..	..
Central Foundry	..	25	27	32	11	19¾	7
Central Foundry Pfd	..	45	49	49	25	36¾	14
Eastern Steel	..	108	110	135	121	..	..

The company may be regarded as having definitely committed itself to a payment of the 6% dividend on the common stock and it has been intimated that from time to time extra dividends would be declared when and if earnings warrant. The common stock is currently selling at around $88 a share but should move up from this level as the time of further extra dividends approaches.

Carwen Steel Tool Co.

Another company worth considering as an excellent speculation is Carwen Steel. This company was incorporated in December, 1915, with a capital stock of 100,000 shares with a par value of $10 a share. The company took over the Carlson-Wenstrom Manufacturing Co., whose plant is located in North Philadelphia. This plant is engaged in making high-grade steel tools and the Carwen high-speed braiding machine, which braids insulated electric wire several times faster than any other machine now in existence for that purpose.

The company has been doing an indirect war business to the extent that it has been supplying high-speed steel tools to such companies as the American Brake Shoe & Foundry, Remington Arms, Bethlehem Steel and Du Pont.

During 1916 the capacity of the Philadelphia plant was materialy increased by the introduction of additional machinery and this new capacity has been taken up with orders on hand for the greater part of the current year.

Carwen Steel is regarded as having an excellent future in its chosen field of high-grade steel tools for which, according to a disinterested party, there will be a great demand after the war in European countries, particularly in Russia.

Recently the company paid an initial dividend of 2% and an extra dividend of one-half of 1% to its stockholders of record February 1. At the same time the subsidiary, Carlson-Wenstrom, declared a dividend of 25%, which was made payable forthwith.

Central Foundry Co.

This company was incorporated in Maine in 1911, acquiring under reorganization the properties of a New Jersey company of the same name. It has foundries in Anniston, N. J., Landsdale, Pa., Vincennes, Ind., and Holt, Ala. The company also owns the stock of the Central Iron & Coal Co. and controls the Central Radiator Co. and the Central Foundry Co. of New Jersey. The capitalization is as follows: $4,600,000 of 5% non-cumulative preferred stock; $3,600,000 com-

mon stock and $1,105,000 of funded debt consisting of 6% sinking fund bonds. In February this year there was added to this capitalization $574,000 of 8% cumulative preferred stock out of an authorization of $600,000.

The company has taken no war orders, preferring to stick to its regular business, which is the manufacture and sale of cast iron, soil pipe, universal pipe, castings, etc. During 1915 the company was obliged to sell its pig iron at around $9 a ton because of contracts, and this explains to an extent why the company did not get the benefit of increased prices. During 1916, however, conditions were materially altered, and earnings in that year were at the rate of about $15 a share on the preferred stock, compared with $5 a share on the same issue in 1915.

Improvements and betterments over the last few years have placed the company in a much better operating position, and with the prospects of continued high prices for the articles of its manufacture the company in the current year should be able to earn something over $20 a share on the preferred stock. It is stated by good authority that this latter stock will be placed upon a 5% dividend basis in the near future, and if this comes to pass the stock, which is now selling around 45, should show advancement from that level.

Various rumors have been circulated from time to time about the company—one that it had been taken over by the U. S. Cast Iron Pipe and Foundry Co.; another that it had received large orders for hand grenades, but both these rumors and others were without foundation in fact.

Eastern Steel Co.

The fortunes of war have been about as kind to the Eastern Steel Co. as they have been to any other one concern, for it has enabled the company to pay off an accumulation of dividends on the first preferred stock amounting to 63%. This large obligation was incurred gradually during the period from 1903 to 1915. In addition to clearing off this arrearage on the first preferred stock, the accrued dividends on the second preferred have also been paid off in full and a dividend is now expected on the common stock.

The directors of the company have, in the past, consistently followed the conservative plan of putting all available surplus earnings back into the business, and this explains to an extent the large accumulation in back dividends which occurred. But it also explains why the company was in an excellent position for handling the rush of orders which came to it.

The plants of the Eastern Steel Co. are located at Pottsville, Pa., where steel is manufactured for structural and bridge work. The annual capacity of these plants is 250,000 tons of blooms and billets and 200,000 tons of finished rolled material. The company acquired large iron ore deposits in Cuba in 1909, amounting altogether to about 12,000 acres. This acreage is estimated to contain upwards of 45,000 tons of iron ore. The leases expire in 1929, but the company has an option for the renewal of the same.

In 1912 the plant of the Warwick Iron & Steel Co. at Pottstown, Pa., was leased. This plant is equipped for the manufacture of pig iron and has a capacity of about 325,000 tons.

In 1916 the Eastern Steel Co., after allowing for interest charges, earned over twenty-four times its 7% preferred dividend, and the indications are that in the current year the dividend requirement will be earned an even larger number of times. Net earnings of the company for 1916 were approximately $3,500,000, which, after deducting prior charges, is equal to about 88% on the common stock.

The stock of the company is very closely held and little information in regard to its affairs is to be obtained in official quarters. But it is known to be in strong financial condition and in physical shape to meet any demands likely to be made upon it in the next few years. In view of this and the prospects for larger earnings, the outlook for an appreciation in market value of the common stock is good.

Unlisted Security Notes

Acme Tea.—Amalgamation of five chain grocery companies at Philadelphia, Pa., controlling 1,285 stores has been completed. Firms are the Acme Tea Co., Bell Co., Robinson & Crawford, Childs Grocery Co. and George M. Dunlap Co. New corporation will be known as the American Stores Co., with a capital of $24,000,000. Samuel Robinson is to be president. Companies included in the merger did a business of $40,000,000 in 1916.

Aetna Explosives.—A comparison of balance sheets, March 31, 1916, with Dec. 31, 1916, shows some striking changes. On the former date the plant account was placed at $15,700,000, with $3,391,000 for good will, a total of $19,091,000. On the latter date this valuation had been written down to $11,543,000. At the same time the common stock liability—and this stock has no par value—figured at $12,578,580 on March 31, 1916, was, on Dec. 31, placed at $8,745,800.

American Arch.—Filed notice at Dover, Del., of an increase in capital stock from $3,000,000 to $5,000,000.

American Stores.—See Acme Tea Co.

An offering will be made of $3,000,000 of this company's first preferred stock at 97½ with interest from April 1, 1917. Purchasers will have the privilege of taking 40% additional of the par value of their preferred stock in common, of no par value. It was stated that there would be no public offering of these issues until the week of April 9.

Bliss (E. W.)—After paying off $748,800 in bonds at 110 and 8% dividend on the $1,250,000 preferred, there remained $10,465,321 for the 25,000 shares of common stock, or $418.61 a share, compared with $217.28 a share in 1915, and $36 a share in 1914.

Booth Fisheries.—1916 surplus of $792,082 is equal to 15.84% on $5,000,000 common stock. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $1,439,963, compared with $635,806 Dec. 31, 1915.

Borden (Richard) Manufacturing Co.—Declared a dividend of 5%, payable April 2 to stock of record March 21. Its usual rate formerly was 1½%, and more recently 2%. For the preceding two quarters 5% each was paid.

Cambria Steel.—Net earnings before depreciation of $27,511,794 compared with $8,326,672 in 1915 and but $3,115,932 in 1914. This is nine times the 1914 earning record and an increase of $19,185,122, or 230% over the 1915 year.

Canadian Car & Foundry.—Will begin work again at Fort William, Ont. The plant can be completed in 90 days and operated in part as soon as material can be obtained. Operations will be started with 5,000 cars.

Carbon Steel.—Declared an extra dividend of 2% on the common stock, payable May 22 to stock of record May 15.

Central Foundry.—Declared a quarterly dividend of 2% on the first preferred stock, payable April 15 to stock of record March 31. This is the first dividend paid on the new $600,000 8% cumulative first preferred stock authorized by stockholders Jan. 8.

Certain-teed Products.—Net earnings of this company for 1917 are estimated at from $1,250,000 to $1,500,000. Net earnings in 1916 were $901,540. After allowing for the 7% first preferred dividend, which was earned over three and a half times, and deducting the regular 7% second preferred dividend, the balance was equal to $8.50 a share on the common stock in 1916.

Colts Patent Fire Arms.—1916 net income of $6,345,731 is equal to 253.82% on $2,500,000 capital stock outstanding, compared with 98.83% earned on the same stock in 1915. Stockholders voted to increase the capital from $2,500,000 to $5,000,000 and to give the new stock as a 100% stock dividend to shareholders. It was also decided to reduce the par value of the stock from $100 to $25, thus giving each stockholder eight shares of stock for each share held.

Dominion Steel.—Declared a dividend on the common stock at the rate of 4% per annum, the first quarterly disbursement being payable April 16 to stock of record March 31. The regular dividend of 1½% on the preferred stock also was declared, payable May 1 to stock of record April 15.

Du Pont (E. I.) de Nemours.—Will be able to meet demands of the United States for powder without interfering with its shipments to the Allies. Present capacity is 1,000,000 pounds of smokeless daily, and this will be increased by 95,000 pounds a day May 1. A contract for 11,000,000 pounds for the peace needs of the army and navy was closed some months ago.

Fisk Rubber.—In its fiscal year to Dec. 31 earned a balance for its $8,000,000 common stock slightly better than $11 per share.

Firestone Tire & Rubber.—11,000 employees of this company, under a stock distribution plan, have subscribed to $3,000,000 worth of stock. The distribution was made on a new basis, length of service instead of salary received. All stock was rated to employees at $100 a share, instead of the market quotation of about $145.

Scovill Manufacturing.—Declared the regular quarterly dividend of 2% and an extra of 10%, both payable April 1 to stock of record March 26.

Wright-Martin Aircraft.—Negotiation for the consolidation of this company and the Curtiss Aeroplane & Motor Corp. has been discontinued and will not likely be resumed.

TOPICS FOR TRADERS

When Fundamentals Fail

Study of Fundamental Statistics, While Useful, Not Always Profitable

By FRANK C. FORSYTHE

IF success in the Stock Market was chiefly a matter of mathematics those who were cleverest with figures would make all the money. Or, if an expert knowledge of economics was the most essential factor in successful speculation, a large number of our estimable professors of economics, who have now to be content with only nominal incomes, might readily become millionaires.

Perhaps there is not another subject or problem confronting the average man upon which has been brought to bear a greater diversity of effort, or more intensive mental concentration, than upon the problem of the market. Man, being a reasonable being, attempts to discover the reason or cause behind all manifestation of activity. The psychology of the market is interesting, and practically the same formula of mental processes is common to all who have had market experience.

Life, itself, is a series of experiments. How many can recall their first introduction to the Stock Market? I can recall my own: the thrill of the first venture, the breathless expectancy after the initial commitment had been made, the new and intense interest in every happening or change in the market, and, finally, the inevitable call for more margin from the broker! These steps in the pilgrimage of the speculator to the Shrine of Chance are familiar, doubtlessly, to all.

It is a common argument against speculation in stocks that it attracts the activities of an undesirable class of people. It is said of the speculator that he is always looking for "something for nothing." That may be true of the gambler; it is undoubtedly true of the grafter, and it is probably true of a vast number of people who have never dealt in a share of stock in their lives, but it is hardly true of the genuine stock speculator, as the writer knows the type.

Stock Market Seriously Studied

It would be surprising if one could know the large number of serious-minded people who have become interested in the study of the market, partly from a practical standpoint, being interested to the extent of large or small holdings, and partly, too, from the standpoint of the student who finds his greatest pleasure in life in delving deep into the underlying causes of things economic, in order that he may understand, to his own quiet satisfaction, the reasons behind the movements which take place from time to time.

This class of student observers of the phenomena of the stock market turn in the beginning of their studies, quite naturally, to the examination of the fundamental economic situation. They reason, in the quite obvious manner, that the stock market occupies a definite position in more or less fixed relation to the various other important features which make up the economic whole. They reason that prices, whether for commodities or securities, must rest upon some certain, definite base. These bases are determinable; to establish them is simply a matter of analysis.

The fundamentalist, then, in the stock market attempts to analyze the wealth of obtainable statistics on the fundamental situation, and to establish, through such analysis, adequate reason for price movement one way or the other. It is an ambitious undertaking.

The only permanent thing in the world is change. Change is always with us.

Prices for securities and commodities may not stand still. Prices move up and down—now traversing normal ranges, now breaking into new ground and upsetting all rule and precedent. Students of price movement, observing its phenomena over long periods, establish certain formulas and arrive at certain deductions for use in forecasting future movement. All goes well for a time, then along comes the unusual, the exceptional, the unheard of, and a revision of formerly accepted formulas is in order. It is the working out of the inevitable law; another manifestation of the eternal principle of change. The rules of other times do not hold today, and those guides which answer well enough for today, tomorrow may prove to be quite useless.

No intelligent person can object to the idea of applying the study of fundamentals to the problem of forecasting future prices. Underlying all activity is fundamental law. Ability to comprehend the manifestations of such law is a measure of one's education and intelligence.

Professional Traders Keen Judges

This is an age of specialization. The business of the stock market is an highly specialized affair, and although the lines of human activity represented by the various corporate shares dealt in on the stock market cover every conceivable field, and the quotations for the various shares traded in hold a universal interest, yet the real business of trading in stocks is, in fact, the business of specialists, engaged in by a relatively small number of people. For the hundred dabblers in the market there is hardly the one professional dealer in securities.

It can be taken for granted that those who regard the stock market as their sole means of livelihood, and devote all their activities to the business of trading, do not overlook any available aids to success in their operations. With all due respect to those who place implicit faith in the study of fundamental conditions, the writer calls attention to the fact that only a negligible per cent. of the professional class of traders give the slightest consideration to fundamental economic factors in laying out their speculative programs. In a vague way all traders, professional or amateur, discuss fundamentals, but few have a working understanding of their influence in a market way.

It is not the purpose of the writer to endeavor to draw an indictment against statistical study; rather it is to encourage such study, but to suggest that it be taken up along practical lines and with an understanding, in the beginning, of its limitations and fallibility. Much of the failure in figures, when applied to the projection of forecast, may be explained in the tendency to attempt to lay down hidebound rules, and to expect all future action to find precedent in the history of the past, confining itself within limits previously established. How false such premise is needs little argument. The history of past markets furnishes ample evidence.

Fundamentals Worked in 1915

Among the subjects studied by fundamentalists are included the various trade statistics, such as exports and imports, manufacturing and building activities, iron and steel production and price, industrial earnings and dividends, interest rates, banking resources and funds available for business investment and speculation, activity of the investment and speculative business, immigration, business failures and the production of new wealth. These constitute the principle subjects taken into consideration, but by no means limit the field of inquiry.

Those who pin their faith in fundamentals are not without their triumphs. The majority of students of the subject were in accord, throughout the early months of 1915, in the opinion that the future course of security prices for the long swing ahead would be upward. There was a gratifying unanimity of deduction among such investigators, largely because the underlying fundamentals had, at the time, receded very closely to the bedrock of previous experience. A solid foundation for future upbuilding had been laid, and the experience of the following months worked out to the complete justification of that presumption.

A Notable Failure in 1916

The limitations of fundamental study

for purely stock market purposes were graphically illustrated later on, however, in the fall of last year. Never before had purely fundamental factors held forth such ample promise. Exports, one of the leading fundamentals, had reached the highest point in the nation's history, far outstripping all previous high records. Industrial earnings and dividend disbursements had entered new ground. The banking situation had exhibited none of the familiar signs of over-extension which heretofore had preceded a stock market collapse. Nowhere was there to be noted the first sign of recession in the forward going strides of the country's business development. In fact, every known fundamental economic factor pointed resolutely toward continued progress and prosperity. Yet, unexplained by fundamental reasons, there occurred one of the most radical and precipitate reactions from the upward trend known in the whole history of the Stock Market. Statisticians were at a loss to explain the declines of December and February. Professional speculators, no doubt, were able to explain the declines to their own satisfaction and in their own way. Furthermore, it is a matter of public record that a number of this class were not only able to explain the declines but actually anticipated them, and realized some extraordinary profits as a consequence.

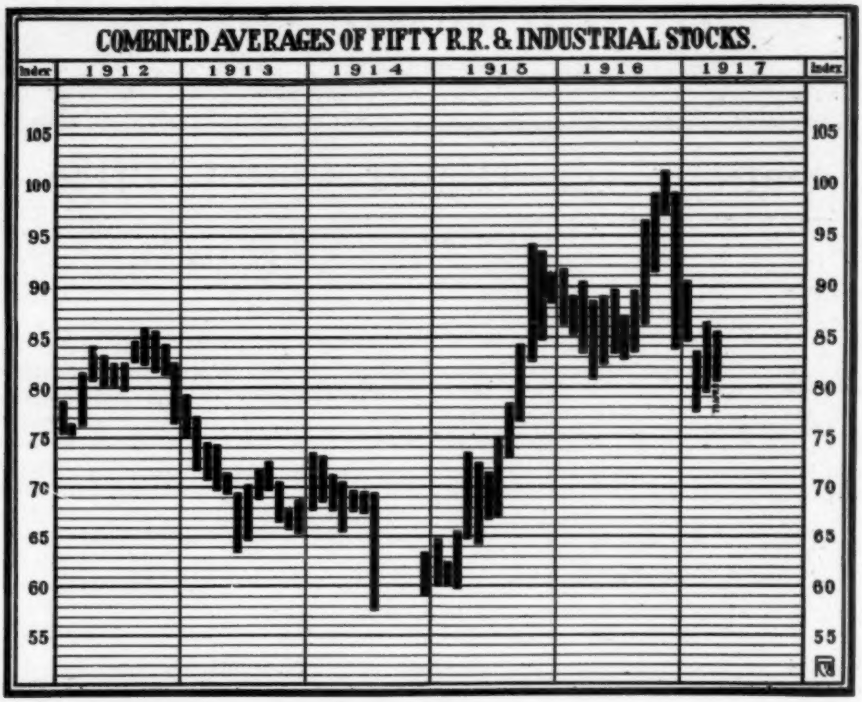
Radically Different Methods

The difference in the methods used by the fundamentalist and the professional is a wide one. One deals in abstract things; the other, in practical realities. The fundamentalist looks for causes behind the action; the professional wants to know who bought or sold. In the long run, the market will obey the fundamental law, although the response is at times slow. If conditions warrant, prices will advance and will continue to do so as long as influencing factors remain favorable. Long before the real turn comes, no doubt, the active professional will have made several attempts to locate the "top" or "bottom," as the case may be, and will have taken a number of small losses, perhaps, in the unsuccessful effort, but the time is certain to come when he will meet with success. He will have "arrived," in spite of his early losses, long before the fundamentalist. Economics are ponderous things and swing slowly and without unity. The market has been known to turn in a day, even in an hour, and the turning point, so quickly made, has stood for years.

Study of Prices Most Direct Way

And so, while it would be a narrow viewpoint which would seek to discourage the serious study of fundamentals as applied to the stock market, it is equally apparent that the whole solution of the problem of price change may not be found in the subject of price study alone. That has its failures as well as fundamentals. Yet those who have the required temperament would do well to give less time to the study of abstract statistics and more to the intimate consideration of the transactions themselves. As the progress of prices is the measure of the strength of the relative forces of supply and demand, and as these two epitomize all other considerations, it is clearly seen that the trader should first of all concern himself with prices, looking into causes afterwards.

In the case of prices and of fundamentals, the object of interest for those who hope to profit by their knowledge is the same, to wit: not those conditions or prices which prevail today, but those which will prevail sometime in the future. It would appear, after due study and experiment, that it is quite as easy to forecast the one as the other. Profit is to be had directly from the one; indirectly, perhaps, from the other. One might well ask the question, then: "Why take the roundabout way when the direct way is equally open?"



MARKET STATISTICS

		Dow Jones Avgs. 20 Inds.	Dow Jones Avgs. 20 Rails	50 Stocks High	50 Stocks Low	Total Sales	Breadth (No. Issues)
Monday,	Mar. 26.......	96.32	100.54	86.14	84.43	816,500	215
Tuesday,	" 27.......	96.46	100.36	85.12	84.21	602,900	190
Wednesday,	" 28.......	97.01	101.27	85.69	84.68	545,700	186
Thursday,	" 29.......	96.75	100.73	85.61	84.70	547,100	185
Friday,	" 30.......	96.73	100.96	85.50	84.70	503,300	195
Saturday,	" 31.......	95.91	100.33	84.83	84.22	270,700	153
Monday,	April 2.......	97.06	100.72	85.31	84.08	681,200	172
Tuesday,	" 3.......	96.34	99.25	85.56	84.00	902,600	188
Wednesday,	" 4.......	95.83	99.25	84.47	83.56	724,800	189
Thursday,	" 5.......	94.61	98.16	83.51	82.50	881,100	219
Friday,	" 6.......	STOCK EXCHANGE CLOSED (GOOD FRIDAY.)					
Saturday,	" 7.......	93.10	97.11	82.38	80.51	640,400	204

Thrift

Thrift is a wonderfully broad subject—as broad as human life and as interesting as it is broad. It concerns all we are, all we have, all we hope to be, and all we hope to get. It is the problem of life.—*W. H. Kniffin, Jr.*

Outlook for Higher Cotton Prices

By RICHARD S. SLATER

IS it possible to raise a bumper cotton crop, with this country at war?

Such a thing seems inconceivable.

The participation of the United States in the great world struggle will be no half-hearted affair. Up to the time Wilson spoke, the world had not understood the war. Guizot wrote: "Force plays a great part and an incessant one in human affairs; but it is not their principal, their *primus mobile;* above force and the part which it plays there hovers a moral cause which decides the totality of things."

During the season of the making of the cotton crop, there will be at least 2,000,000 Americans under arms and many more millions actively engaged in the work of getting ready for the fighting. Already the labor question is the most serious one the cotton farmer has to meet, and before the harvest time it will be a great deal more serious than it is today.

All along it has been expected that high priced cotton would cause the planting of 40,000,000 acres this Spring. If that amount could be planted, it could not be cultivated and picked during war times. The Government, realizing this, will not urge over-planting, badly as the world needs a large crop of cotton. In the last few days alarming rumors have been started that German agents were trying to cause an uprising among the Southern negroes which would ruin all chances of a large crop; but these yarns do not seem worthy of serious consideration. Most certainly no German ever understood a Southern darkey, or ever will. That there are German sympathizers in this country mad enough to attempt such a thing is probably true, but the most they could ever accomplish would be to bring about their own elevation at the end of a stout piece of rope.

The cotton market is beginning to have a much more intelligent understanding of what war means from a market view point than it had a short time ago. Last November, upon talk of peace, May cotton sold up to 21.55 cents on the New York Exchange. On February first, when it began to appear that we must fight for our rights, May cotton broke to 12.50 cents. That hysterical smash was the most illogical thing a market ever did, and simply proved once more that a market always interprets outside news as bullish or bearish according to the technical position of the market. On February first the cotton market was over-bought, and it broke five cents a pound on bullish news. Now the market takes its war news very calmly.

The fact that war must curtail production is now so well understood that while the actual steps of entering the war were being taken, the market not only held, but steadily advanced. Already the prediction is being made that cotton will be selling at thirty cents a pound before Christmas. Never were there fewer aggressive bears in the market than there are today, and no one seems willing to sell new crop months short to any extent, in spite of the fact that present prices represent a tremendous profit to the producer.

What the market is more interested in than anything else, perhaps, is the possibility of the Government taking a hand in the fixing of cotton prices. There seems no reason for believing that there will be any talk of closing the

Cotton Exchange on account of the war. The demoralization of the cotton business that followed the closing of the Exchange at the beginning of the war is too fresh in the mind of everybody. That the Government is going to have a hand in the fixing of prices of all kinds of commodities during the period of the war, is already plainly evident, however, and the Government has already set on foot, investigations covering a number of features in the existing cotton conditions. Little has been said of these investigations, but the Government agents are very active. They are trying to find if the parity between spot prices in the South and contract prices on the New York Exchange is justified. They are also asking explanations as to why May is selling fifty points over July; and many brokers have been called to tell just where their orders came from on February first, the day of the big break.

Of course, there is a reason why conditions are just what they are. The fact that there are only about 16,000 bales of certificated cotton in New York is perhaps the best explanation why May is selling so much over July, and the fact that complaints have been made to the Government by duck manufacturers with Government contracts, that they cannot fill them except at a loss because of the advance in the cotton prices, will not create a great deal of sympathy for them. The contract market has been open right along and they have had a chance to hedge against their commitments. The South would naturally protest vigorously against any attempt to prevent an advance in cotton prices by arbitrary governmental action, and such a protest would have weight. It is safe to say that no ill-considered action will be taken, and it is not probable that the Government will do anything in regard to cotton in the near future. The trade, however, understands that in war times no man can predict the future, and will meet any situation that may arise with calmness.

It looks today as if prices might go very high. Certain it is that an unfavorable May in the cotton belt would cause a most sensational advance.

Wheat Dangerously High?

By P. S. KRECKER

WHEAT speculation has been discounting a low condition of the winter crop and possible reduced harvests owing to the active entrance of the United States into the European war, as this participation may cause a shortage of labor. Winter damage to wheat is usually due to two causes. Either there is an excess of moisture followed by severe freezes and thaws in early Spring which kill the plant, or there is a lack of moisture and snow covering. On the whole, winter killing is less under the latter conditions than the former. If the crop has abundant Spring rains alternating with warm weather, it often shows wonderful recuperative powers and makes a good yield. The sore spots in the wheat belt this year are Kansas, Nebraska and parts of Texas and Oklahoma. It is in these regions that moisture has been deficient for many months and the crop has suffered its worst reverses. Conditions of growing wheat further north and east have been good to excellent. The northern border of the wheat belt has been under a blanket of snow all winter and is now emerging in fair condition. Good rains have aided the soft wheat states of Ohio, Indiana and Illinois. Missouri has had moisture. Just what the extent of the winter wheat killing has been will be in doubt until the Government makes its May report. Some private estimates make it as much as eight million acres which would amount to 20 per cent on a planted area of 40,090,000 acres. This would be far

above the average and appears unlikely as usually such large winter wheat abandonment only occurs in seasons of excessive moisture such as that of 1912, when 20 per cent of the acreage was abandoned. In 1911, which is comparable with the present year because, then, as now, it was a season of unusual drought, the abandonment was only 9 per cent, or close to the average for a period of years.

The strongest element in the price is the cash market. Ordinarily, future contracts for wheat at this season of the year command a higher price than the cash article. This year the reverse is the fact. Cash wheat is selling at present writing from 5 to 15 cents higher than contracts for future delivery. These are extraordinary premiums and reflect the scarcity of offerings. Contract stocks of wheat in Chicago are small and the premiums which wheat commands in outside markets increase the difficulties of shorts who planned to deliver on contract. Under these circumstances, while wheat is dangerously high for speculative purposes, taking the cash situation alone into account and disregarding other bullish elements in the situation, it is difficult to see why the future market should have more than temporary breaks. It must be realized that speculative fever may reach unwarranted heights. The bigger and broader the market, the more violent the fluctuations will be and the more essential it will be for the trader to protect his position with ample margins. But the trend at this time is upward and no definite downward movement need be expected until cash wheat shows signs of weakening.

Argentine Government Decision

One of the important recent developments in the foreign markets has been the decision of the Argentine government to forbid exports of either wheat or wheat flour. This embargo was made effective March 25 and automatically stopped all shipments of wheat. The action of the Argentine government comes as no surprise because of the known small margin of surplus in that country. Estimates from Argentina have placed the export surplus at 18,000,000 to 22,000,000 bushels from this season's crop, with approximately as much left over from the previous crop, or in the neighborhood of 40,000,000 bushels all told. This is none too large a surplus to conserve in a country which is subject to crop disasters incomparably greater than those which visit the United States. Exports of wheat from Argentina have been an important factor in price making. For the full crop year ended December 31 Argentina exported 87,000,000 bushels of wheat. This compared with 94,000,000 bushels the previous year. Since January 1 of the present year that country had, until the embargo became effective, exported about 17,000,000 bushels against 20,800,000 the corresponding period last year. From these figures it may be estimated that the other surplus countries, of which the United States is the most important, will have to make up a deficiency in Argentine exports for the remainder of that country's crop year of 70,000,000 to 80,000,000 bushels of wheat alone.

The big advance in wheat has had the tendency to frighten small operators out of that market and divert their interest into the other grains. Corn has been a speculative favorite for some time and recently has had sensational advances to prices which in times of peace would be considered fancy for wheat. Corn has not sold at $1.25 a bushel since 1863, when it soared to $1.40 in Chicago owing to a crop disaster. Supplies of corn are the smallest in years while demand is insistent from Europe owing to the embargo on Argentine exports. Even at $1.25 corn is relatively cheap compared with wheat. Oats also is having its day. Surplus of oats remaining to be marketed is estimated at only 11 per cent compared with 19 per cent last year. Exports of oats have been large and the price is relatively low.